Chilton's

NOVEMBER 1984

C2150-1

DISTRIBUTION

FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

Trucks

Railcars

WHAT'S NEW IN EQUIPMENT

Tractors, Trailers

DISTRIBUTION CAREERS: THIS YEAR'S TRAIL TO THE TOP

IN A SQUEEZE?

URE
ANDARDS

MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

VOL. 83, NO. 11

Chilton's

DISTRIBUTION

NOVEMBER 1984

ESTABLISHED 1901

COVER STORY

11 WHAT'S NEW IN EQUIPMENT?
Here's our second annual directory of trucks, tractors, trailers and railcars. After months of sustained economic growth, we hope you're ready to look at the best leading manufacturers have to offer in transportation equipment.

FEATURES

40 A FULL MEASURE OF WAREHOUSE STANDARDS
An unusual story of worker/management cooperation that tells what happened when labor asked for, and received, unbiased work measurement standards, and a wholesale grocery distributor reaped a bonanza of benefits in return for its willingness to change.

48 BROKERS CLOSE IN
There's room enough for a third party in transportation—IF brokers can read the writing on the walls, and IF shippers and carriers can avoid some basic mistakes. So go the conclusions suggested by a shipper/broker/carrier roundtable we brought together to peer into the murky past and promising future of transportation brokers.

57 THIS YEAR'S TRAIL TO THE TOP
The 13th annual Ohio State University survey of career patterns and job responsibilities in the distribution industry evaluates new and continuing trends that are shaping the profile of today's transportation executives.

COLUMNS

4 EDITORIAL by Thomas A. Foster
Naming names
7 DIALOGUE
Making a public warehouse a home to shippers
68 INTERMODAL By Denis Davis
Boxes on barges—sometimes a great notion
72 PRIVATE CARRIAGE By Colin Barrett
A marketing primer for private fleet carriers
74 BULK By Bruce Heydt
Accounting for losses in bulk liquid transfers
79 CLAIMS By Kurt C. Hoffman
Carmack crisis, or false alarm?
80 INBOUND By Joseph V. Barks
Starting from scratch
85 AIR By Stan Chapman
Air freight on a different plane?
88 COMPUTER By Thomas A. Foster
Zapping fears of tariff copyrights
90 MARITIME By Jesse Jessen
Shipper/ocean carrier renaissance
93 LAW REVIEW By Jean Strickland
FTC antitrust suits size up transportation
94 DISTRIBUTION & WAREHOUSING By Denis Davis
WINS is on-line

DEPARTMENTS

4 EDITORIAL STAFF
95 GUIDE TO PUBLIC WAREHOUSES
102 CLASSIFIEDS
103 ADVERTISERS INDEX
103 BUSINESS STAFF
104 LAST PICKUP

NEXT ISSUE

Warehouses: national, or regional?

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. ©CHILTON COMPANY 1984. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 1438. Riverton, NJ 08077. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/84 $1.00 + 25¢.)

DIALOGUE

Our August Dialogue question focused on what shippers look for in a public warehouse. As usual, the responses were as varied and plentiful as the courses of a Thanksgiving-day meal. But all of the specifics we were told about individual operations could be lumped into a few categories. And these show that the priorities of public warehouse users bear more than a casual resemblance to those that are inevitably stressed by buyers of transportation. Namely: timely service to the regional customer, low cost of distribution, and finally, a good public image.

"I use public warehousing to store raw materials needed to meet future source shortfalls due to seasonal or cyclical demands, or in anticipation of labor strife."**—H. Nicholls, transportation planning manager, R.R. Donnelley & Sons, Warsaw, Ind.**

"We have found a number of warehouses that specialize in handling farm chemicals. They provide knowledgeable order desk functions for us and are properly equipped and staff-trained to handle pesticides. These warehouses are usually not part of a national chain."**—Ralph Button, distribution manager, Chipman, Inc., Stoney Creek, Ont., Canada.**

"Public warehouses are needed to handle overflow and overstock only. Timing, geography and logistics are factors which preclude ongoing use of public warehousing."**—R.L. Sohn, corporate traffic manager, The Flxible Corporation, Delaware, Oh.**

"I use a public warehouse to store overflows of raw materials."**—J.F. Simon, service manager, Totes, Inc., Lancaster, Pa.**

"At International Harvester we build 326 trucks per day. A public warehouse receives axles and tires for us and sends them to us in line sequence. The cost is offset by lower labor costs, accuracy, time and other monetary benefits."**—John Klosterman, traffic manager, International Harvester, Springfield, Oh.**

"Public warehousing, in general, has an excellent control of costs and provides minimum margins when competition is tough. On the other hand, transportation costs seem to elude most public warehouses. There is little known about these costs, so what savings I negotiate in warehousing costs get gobbled up in transportation."**—Alex Warner, physical distribution manager, Novelty Marketing, Inc., Baltimore.**

"Public warehousing is useful in handling manufacturing overflow due to seasonal product, and in filling orders and distributing from inventory."**—Everett Hatton II, director of physical distribution, Edison Products Co., Edison, N.J.**

"Public warehousing helps us maintain flexibility so that expansions

continued

QUESTION OF THE MONTH

Blockbuster, or just so much bluster? That seems to be the question with respect to the charges that have been leveled against the nation's railroads by the Shippers National Freight Claim Council (SNFCC).

As this month's Claims column details (p. 79), SNFCC, led by executive director William Augello, is trying to whip up shipper support for its crusade to "preserve the Carmack Amendment" and beat back what it feels are the railroads' post-Staggers Act efforts to abuse the laws governing liability responsibilities.

SNFCC has already appealed to various trade associations to solicit member input and support for its cause, so a case can be built against the railroads. No doubt, you're a member yourself of at least a couple of the associations SNFCC is courting, and you'll be asked by them to give your thoughts on the matter.

What is the post-Staggers status quo in the rail claims and liability area? Some shipper-based substance is sorely needed to fill out the current "record" on this issue. To dissolve the fluffy meringue that now clouds the subject, some digestible facts are required. Please convey your actual experiences to us by answering the questions on the card below and mailing it back to us.

DIALOGUE

•Since implementation of the Staggers Act, the full liability rates I've paid on exempt rail traffic have:
______Increased ______Decreased ______Not Changed

•When I've taken advantage of released rates, or contracted for lower liability levels, my insurance needs have:
______Increased ______Decreased
______(Insurance Never Needed)

•In general, I find the alternatives to full rail liability:
______Satisfactory ______Unsatisfactory ______Nonexistent

•Our claims experiences with the railroads have generally been:
______Resolved Satisfactorily
______Resolved Unsatisfactorily ______(Never resolved)

•When selecting a rail carrier, its claims performance is:
______A Major Consideration ______Not a Consideration

•These railroads perform the best when we have a claim with them:
____

Here's how I see the current situation with respect to railroad liability:
____
____
____
____
____

OPTIONAL:
____
NAME (print) TITLE
____
COMPANY PHONE
____
ADDRESS
____
CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit:)

"Does budgeting tens of thousands of dollars in advertising sound like we're relying on word of mouth to tell shippers what public warehouses can do?"
—Richard Bill, president, Merchandise Warehouse Co., Columbus, Oh., at American Chain of Warehouses Annual Meeting

•

"I used to think some things were never changing—immutable. One was that a railroad was somewhat like a snake. No matter how you maltreated it, and beat it, it kept moving and living. That's still true, but in a very restricted sense. Mere twitching and coiling should not be likened to living."
—Richard G. Rayburn, executive vice president—operations, Chessie System Railroads, at Coordinated Mechanical Assn. 1984 Technical Conference

•

"If I have a legal right to discuss prices with other carriers, it's sheer stupidity for me not to take advantage of that right."
—William F. Horton, chairman, Johnson ScanStar (North America), at Port of Oakland International Conference

and contractions in our markets can be met in a timely and cost-effective manner."**—Wendell J. Harkelroad, vice president, materials management, Church & Dwight Co., Inc., Piscataway, N.J.**

"Public warehouses are used to: build up stock for seasonal demand; provide an escape valve when pressure builds in our private warehouses; and lower freight costs through volume shipments."**—William Willis, distribution manager, H.G. Toys, Long Beach, N.Y.**

"We ship hundreds of LTL orders all over the country from three public warehouses. Our primary concerns are LTL freight costs and the ability to turn orders in a maximum of 48 hours."**—Dennis Tingle, distribution manager, A&W Beverages, Inc., Modesto, Calif.**

"Public warehousing is used to reduce outbound transportation costs, reduce capital, and personnel investment."**—Unsigned.**

"I use public warehouses to consolidate freight, act as a market presence, and provide maximum cost trade-off between freight and inventory carrying costs for demand which is highly seasonal."**—Joseph M. Hendenlong, manager of inventory control & planning, Velsicol Chemical Corp., Chicago.**

"By using public warehouses I can get my product to my market quicker and cheaper than my LTL carriers can."**—Bill Bright, vice president, distribution, General R&D Spec. Co., Greensboro, N.C.**

"Public warehousing is useful in serving far-away customers. Transit time is important."**—Unsigned.**

PUBLIC APPEAL

Public warehousing is a realistic option	92%
Public warehousing is used to meet:	
fluctuating demand	44%
cover new markets	36%
avoid capital investment	44%
handle overflow	49%
In addition to storage, these services are used:	
pick and pack services	26%
assembly/distribution	46%
labeling	38%
brokerage	23%
Warehouser has explained value-added services	67%
Understand contract warehousing	77%
See differences between local and national chains	59%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

THIS YEAR'S TRAIL TO THE TOP DISTRIBUTION CAREERS

By **BERNARD J. LaLONDE, Ph.D.**, Riley Professor of Marketing and Logistics,
and **LARRY W. EMMELHAINZ**, Research Associate, both of The Ohio State University

Since 1972, the Logistics Research Group at The Ohio State University has surveyed distribution executives of U.S. firms, in an effort to identify patterns associated with their careers. Over this 13-year period, the survey has expanded from one of basic questions relative to the executives' education, experience, and demographics, to one which includes the executives' attitudes and opinions regarding future trends in distribution.

The 1984 survey was intended to answer the following questions:

1. How is the distribution function organized?
2. What are the distribution executives' primary responsibilities?
3. What are the demographic characteristics of the distribution executives?
4. What are the distribution executives' perceptions of the future?

The data used to answer these questions were generated by a four-page questionnaire mailed to 640 members of the National Council of Physical Distribution Management (NCPDM) during August 1984. The sample included both geographical dispersion and industry variety. Where two or more members of NCPDM were listed within the same company, the survey was sent to the executive with the higher perceived position. The 139 questionnaires included in this report represent a response rate of 21.8 percent.

For the purposes of this broad analysis, respondents were divided into three managerial classifications—manager, director, and vice-president.

Throughout the discussion which follows, comparisons are made with previous years. Since the responses are anonymous, this year's sample is not the same as last year's or any other year's. Caution must be exercised in reaching conclusions relative to change over time. Long-term trend differences remain valid; however, year-to-year differences could be caused by statistical variability.

continued

PERCENT CHANGE IN DISTRIBUTION COSTS 1984 OVER 1983

Percent Increase or Decrease	Percent of Respondents
Over 8% increase	11.0%
8%	5.1%
7%	4.2%
6%	18.6%
5%	22.0%
4%	15.4%
3%	8.5%
2%	2.5%
1%	0.8%
0%	6.8%
Decrease over 1983	5.1%

HOW HAVE DISTRIBUTION COSTS CHANGED?

The distribution executives responding to the survey did not agree on how much distribution costs would increase in 1984. 12 percent expected no increase or a decrease, while 11 percent expected cost growth in excess of 8 percent. Most executives, however, predicted an increase ranging from 4 to 6 percent during 1984.

TIME-EXPENDITURES ON DISTRIBUTION AND NON-DISTRIBUTION RELATED ACTIVITIES

VICE PRESIDENTS — 1984

DISTRIBUTION	65.1%	NON-DISTRIBUTION	34.9%
Traffic	10.9%	Marketing	11.4%
Warehousing	11.4%	Production	8.6%
Inventory	6.8%	Data processing	5.3%
Purchasing	4.9%	Finance	4.9%
Other processing	4.8%	Other	4.7%
General administration	14.1%		
Plant & warehouse	3.6%		
Other	8.6%		

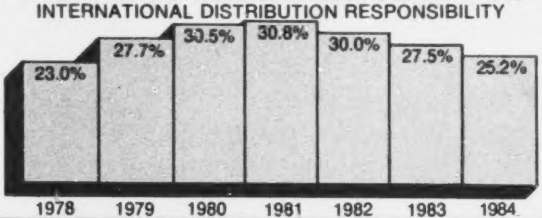
DIRECTORS — 1984

DISTRIBUTION	69.8%	NON-DISTRIBUTION	30.2%
Traffic	13.6%	Marketing	8.8%
Inventory	6.8%	Production	8.0%
Warehousing	10.3%	Data processing	6.3%
Other processing	5.5%	Finance	4.9%
General administration	17.4%	Other	2.2%
Other	16.2%		

MANAGERS — 1984

DISTRIBUTION	68.4%	NON-DISTRIBUTION	31.6%
Traffic	14.2%	Marketing	11.5%
Warehousing	11.2%	Production	8.3%
Inventory	9.4%	Data processing	5.2%
Other processing	5.4%	Finance	4.5%
Plant & warehouse	4.2%	Other	2.1%
General administration	3.4%		
International	11.8%		
Other	8.8%		

PERCENT OF DISTRIBUTION EXECUTIVES WITH FULL INTERNATIONAL DISTRIBUTION RESPONSIBILITY



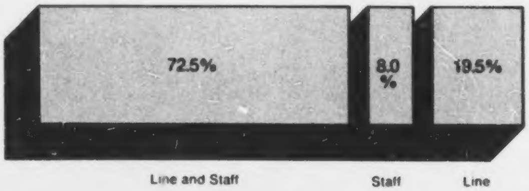
WHERE IS TIME SPENT?

Distribution executives continue to be involved in a wide variety of activities, as shown by the large "other" activities responses. This category includes procurement, product planning, sales forecasting, international distribution and facility location. All told, distribution executives spend about 32 percent of their time in what they consider to be non-distribution activities. Nearly 60 percent of that time is in the areas of marketing and production, with 32 percent spent on finance and data processing.

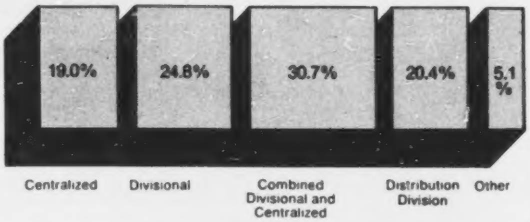
For the first time since deregulation, distribution managers report a slight drop in the amount of time they spend on traffic and warehousing. These areas represent 22 to 25 percent of total executive activity.

At the same time, though, managers report that the time they spend on inventory has increased from 5.9 percent to 9.4 percent.

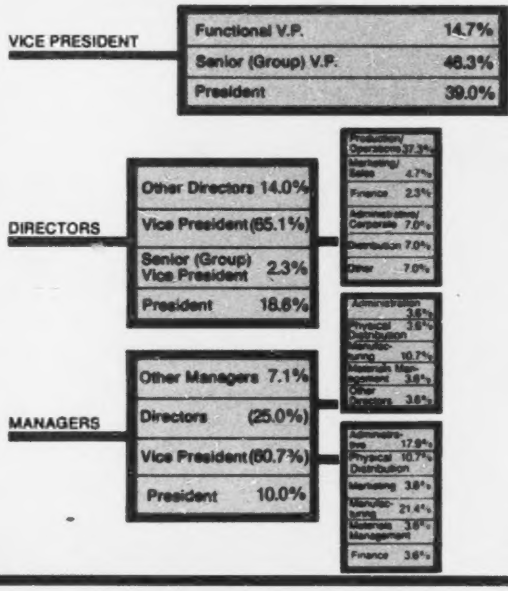
ORGANIZATION RESPONSIBILITY



CORPORATE ORGANIZATION—1984



REPORTING RELATIONSHIPS

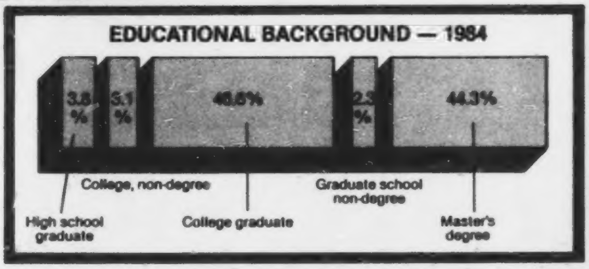

VICE PRESIDENT
Functional V.P. 14.7%
Senior (Group) V.P. 46.3%
President 39.0%
DIRECTORS
Other Directors 14.0%
Vice President (65.1%)
Senior (Group) Vice President 2.3%
President 18.6%
Production/ Operations 37.3%
Marketing/ Sales 4.7%
Finance 2.3%
Administrative/ Corporate 7.0%
Distribution 7.0%
Other 7.0%
MANAGERS
Other Managers 7.1%
Directors (25.0%)
Vice President (60.7%)
President 10.0%
Administration 3.6%
Physical Distribution 3.6%
Manufacturing 10.7%
Materials Management 3.6%
Other Directors 3.6%
Administrative 17.9%
Physical Distribution 10.7%
Marketing 3.6%
Manufacturing 21.4%
Materials Management 3.6%
Finance 3.6%

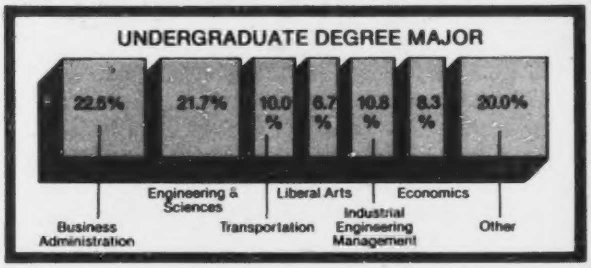
HOW IS THE DISTRIBUTION FUNCTION ORGANIZED?

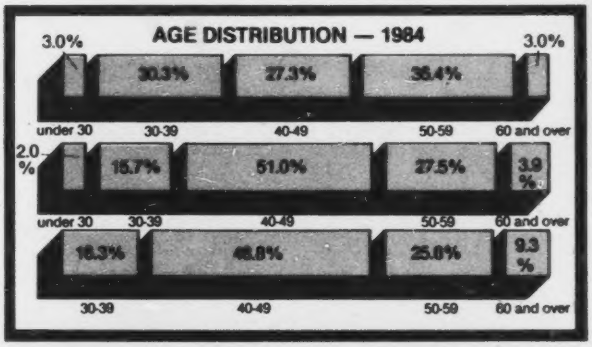
This year's executives report a slightly different organizational structure than in previous years. There was evidence of increased divisional corporate organization and greater line responsibility, generally at the expense of combined divisional and centralized structure, and combined line and staff. Separate distribution divisions continue to increase.

The reporting relationships for all three levels of executives reflect a more direct link to top management than was shown for the 1983 respondents. Managers report to vice-presidents 61 percent of the time, up from 27 percent last year. Directors reporting directly to presidents or chief executive officers increased to 19 percent, up from 7 percent in 1983. Vice-presidents reporting to senior or group vice-presidents increased by 20 percent from 1983 to 1984. This came from a drop in vice-presidents reporting to functional vice-presidents and to the president—the only exception to this generality. These trends suggest a continuation of the integration of distribution into all phases of corporate decision-making.

continued

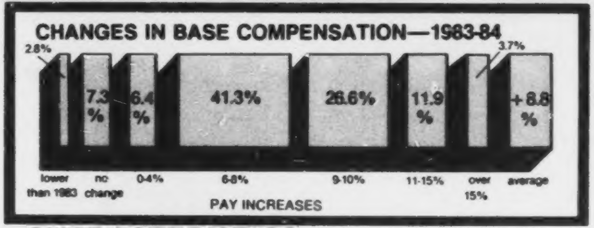






AVERAGE COMPENSATION—1984

	Manager	Director	Vice President
Top quarter	$77,300	$101,600	$134,500
Second quarter	$57,900	$70,200	$104,200
Third quarter	$47,600	$61,600	$83,300
Lowest quarter	$38,000	$49,300	$58,000
Average	$54,800	$70,800	$83,900



CHARACTERISTICS OF THE EXECUTIVE

This year's respondents are younger than previous years', and do not cluster by age in the three executive levels as they have done previously. While directors continue to be primarily between 40 and 49, managers are fairly evenly distributed over the 30s, 40s and 50s age brackets. Vice-presidents are mostly in the 40-to-49 bracket.

While 96 percent of the respondents continue to have at least some college, those with Masters Degrees jumped from 36 percent to 44 percent, with MBAs dominating the types of Masters Degree.

The average compensation for distribution executives at all levels was higher than reported in 1983.

EDUCATIONAL NEEDS—1984

Area	First Choice	Second Choice
Finance	27.8%	24.3%
Data Processing, Simulation Models	24.6%	24.3%
General Management	17.5%	1.9%
Marketing	3.2%	12.6%
Personnel, Organization Behavior, Humanities	8.0%	5.0%
Transportation	4.8%	4.9%
Other	14.1%	27.0%

What are the major factors which will influence the growth and development of the corporate distribution function during the next decade?

Factor	Most Important	2nd Most Important
Computer technology/information systems	23.3%	23.9%
Customer service requirements	14.0%	13.4%
Distribution costs	14.0%	11.9%
Transportation deregulation	12.4%	15.7%
Integrated corporate planning/logistics	9.3%	8.2%
Inventory policy/management costs	7.0%	6.0%

WHAT FUTURE IS IN STORE FOR DISTRIBUTION EXECUTIVES?

The picture of the future of physical distribution drawn by these executives is an interesting one. When asked to identify the major factors which will influence the growth and development of the corporate distribution function, concerns about the economy all but disappeared, and the heavy emphasis on controlling distribution costs became less important than in the past. Adapting to computer technology and improving information systems have become the factors expected to dominate the future. Transportation deregulation will continue as a major factor. The integration of corporate planning with logistics will receive much higher emphasis.

If given the chance to return to school, executives would concentrate on finance and computer-related skills.

The attitudes toward other distribution issues remained similar to last year. However, some change in emphasis was observed:

- 96 percent of the respondents agreed that better use of the computer is the key to improved industrial productivity.
- 91 percent agreed that distribution system goals and standards have become more specific over the past five years.
- There is more agreement that deregulation is affecting goods distribution, with 75 percent agreeing that deregulation will improve service levels.
- The executives' forecast of private carriage usage over the next five years is the same as last year's, with 34 percent seeing an increase in private carriage capability.
- Greater use of public warehousing is predicted by 64 percent of the executives.
- 85 percent of the executives agreed that distribution is considered a more important function than five years earlier. This is down from 94 percent in 1983.
- 86 percent believed more firms will be using inventory-carrying costing for distribution decision-making. This is down from 94 percent in 1983.
- 83 percent concluded that the distribution planning process has assumed more importance in operating the distribution function. In 1983, 89 percent reached that conclusion.

continued

STUDY IMPLICATIONS

During the past 13 years, the distribution function has undergone many changes. While in any one year the changes, concerns, and issues reported by the executives may diverge, over the course of 13 years several clear patterns have emerged.

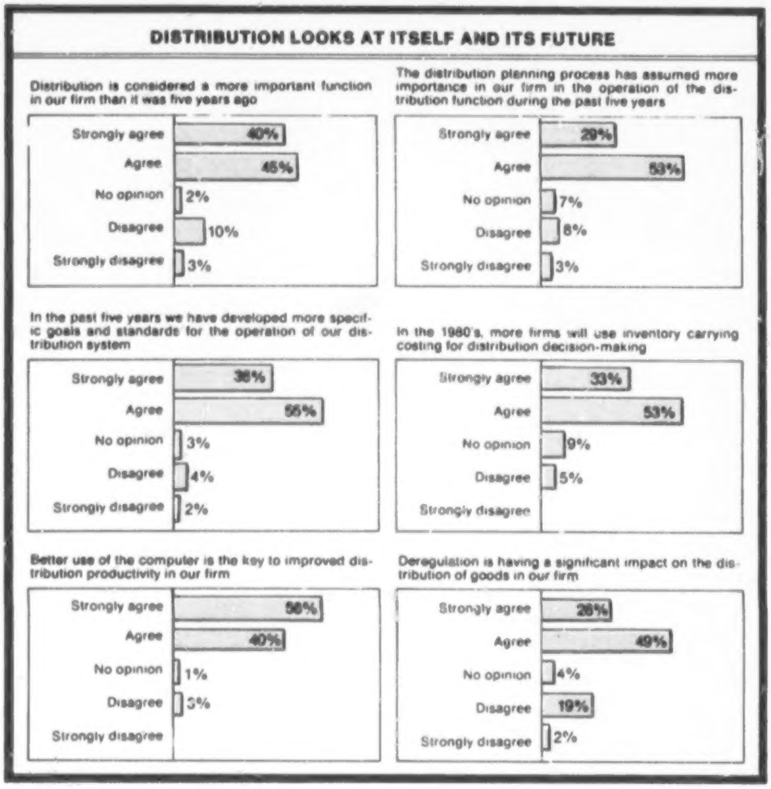
Functional Positioning—The distribution function has been given increased emphasis by top management. Over the past decade the distribution executive has been placed higher in the corporation, has been paid a significantly higher salary, has been more visible, and has provided a more integral part of overall business decision-making.

With this greater emphasis on distribution has come a broadening of activities for which the distribution executive is responsible. No longer can executives in distribution be proficient only in traffic and warehousing. They must interact more and more with marketing, production, finance and data processing. They also must spend a greater part of their time in what they consider general management or administration. Distribution executives find themselves increasingly involved in the total firm.

Future Directions—Computers and information technology will continue to be a critical tool for improving distribution productivity. Because productivity will be measured increasingly in financial terms, computers must provide more timely financial information to distribution executives.

With the return of finance as a major educational need, executives are suggesting that emphasis is needed on accounting and financial aspects of distribution such as distribution cost accounting, asset productivity performance measures, capital budgeting techniques, etc.

Distribution executives, although relatively new to the highest levels of management, must not bask in their new-found glory. As the effects of deregulation stabilize, distribution executives must creatively seek ways to ensure that the total distribution program is compatible with the firm's overall objectives and increasingly a responsive part of the firm's strategic plan. ★



DISTRIBUTION LOOKS AT ITSELF AND ITS FUTURE

Distribution is considered a more important function in our firm than it was five years ago

The distribution planning process has assumed more importance in our firm in the operation of the distribution function during the past five years

In the past five years we have developed more specific goals and standards for the operation of our distribution system

Strongly agree 36%
Agree 55%
No opinion 3%
Disagree 4%
Strongly disagree 2%

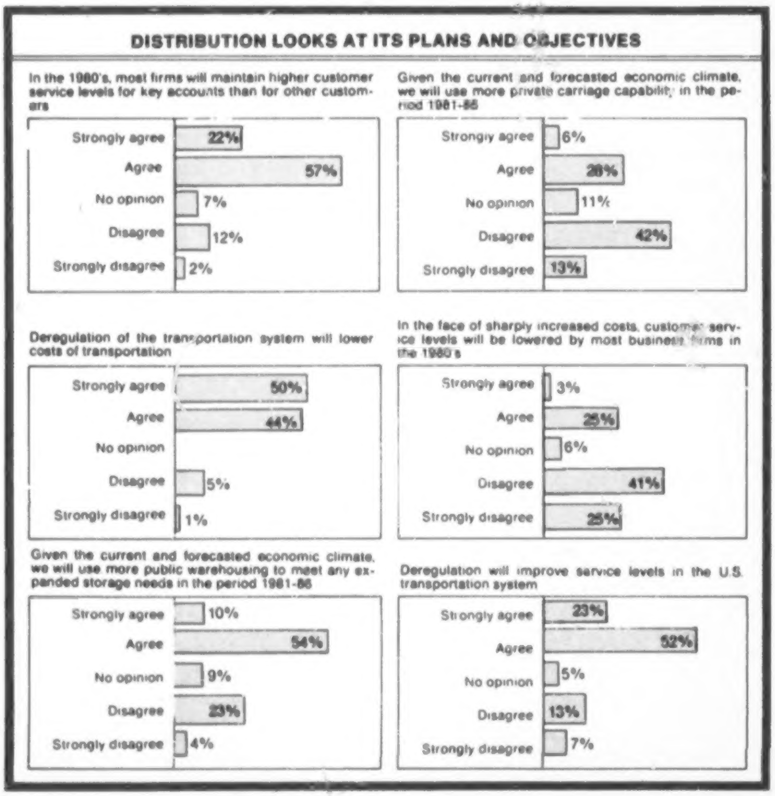
In the 1980's, more firms will use inventory carrying costing for distribution decision-making

Strongly agree 33%
Agree 53%
No opinion 9%
Disagree 5%
Strongly disagree

Better use of the computer is the key to improved distribution productivity in our firm

Strongly agree 56%
Agree 40%
No opinion 1%
Disagree 3%
Strongly disagree

Deregulation is having a significant impact on the distribution of goods in our firm



DISTRIBUTION LOOKS AT ITS PLANS AND OBJECTIVES

In the 1980's, most firms will maintain higher customer service levels for key accounts than for other customers

Given the current and forecasted economic climate, we will use more private carriage capability in the period 1981-85

Deregulation of the transportation system will lower costs of transportation

In the face of sharply increased costs, customer service levels will be lowered by most business firms in the 1980's

Strongly agree 3%
Agree 25%
No opinion 6%
Disagree 41%
Strongly disagree 25%

Given the current and forecasted economic climate, we will use more public warehousing to meet any expanded storage needs in the period 1981-85

Strongly agree 10%
Agree 54%
No opinion 9%
Disagree 23%
Strongly disagree 4%

Deregulation will improve service levels in the U.S. transportation system

Strongly agree 23%
Agree 52%
No opinion 5%
Disagree 13%
Strongly disagree 7%

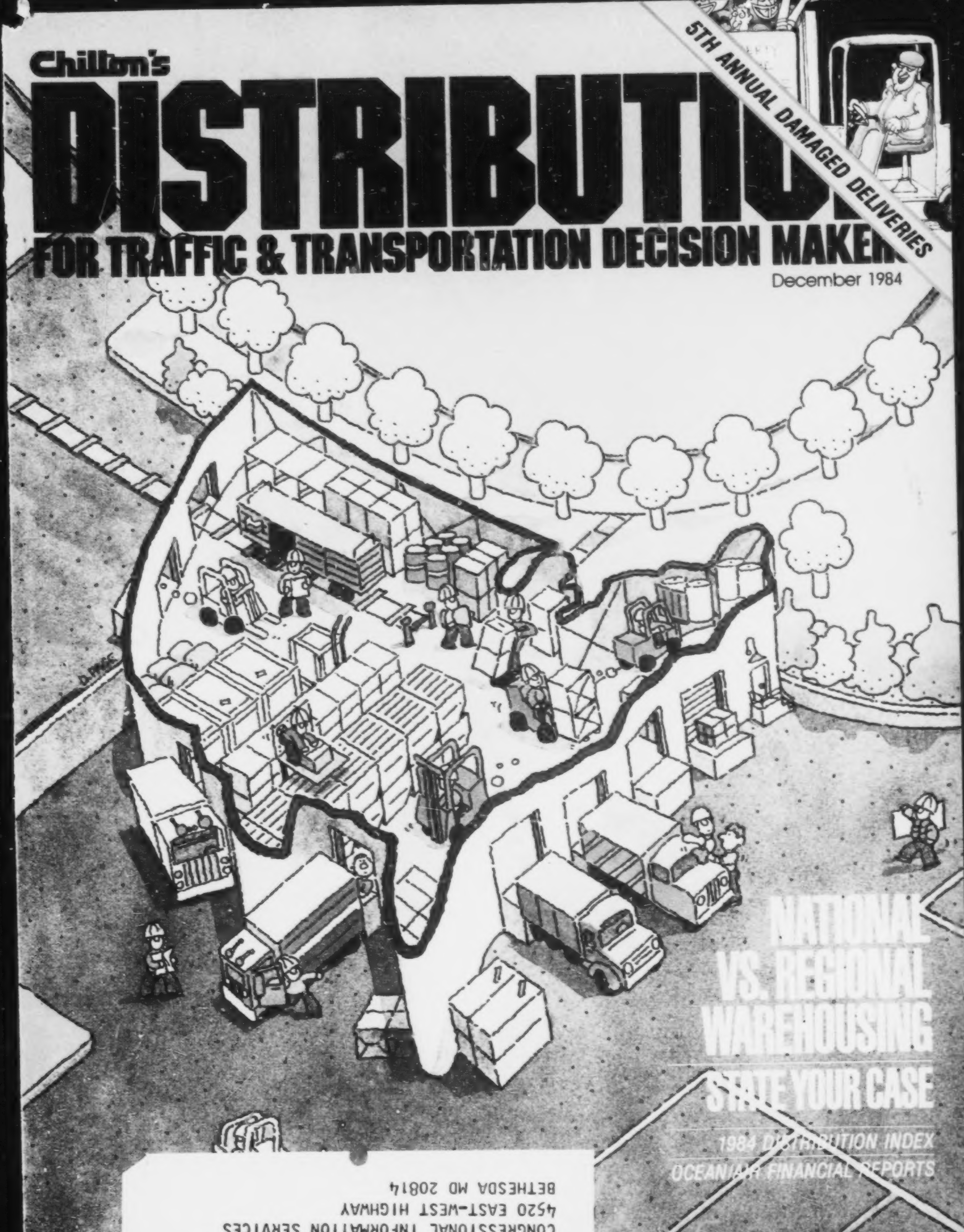
Chilton's

DISTRIBUTIO

FOR TRAFFIC & TRANSPORTATION DECISION MAKER

5TH ANNUAL DAMAGED DELIVERIES

December 1984



NATIONAL VS. REGIONAL WAREHOUSING

STATE YOUR CASE

1984 DISTRIBUTION INDEX

OCEAN/AIR FINANCIAL REPORTS

MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

VOL. 83, NO. 12

Chilton's
DISTRIBUTION
ESTABLISHED 1901

DECEMBER 1984

COVER STORY

10 NATIONAL VS. REGIONAL WAREHOUSES: STATE YOUR CASE
Naturally, it's a split decision, with pluses and minuses on both sides. The winner is anybody looking for public warehousing, because the judges at ringside are speaking from experience.

FEATURES

17 OCEAN/AIR FINANCIAL REPORTS
The recovery has been pervasive enough to provide hope for even the beleaguered domestic air and steamship industries. Continued deregulation offers more opportunities—but their own lack of restraint could bring about their downfall.

22 DISTRIBUTION'S DAMAGED DELIVERIES
Our annual holiday look at the year's most dubious achievements in its fifth incarnation.

27 WHAT FUTURE FOR PRIVATE TRUCKING?
Private carriage may indeed have a bright future, but it would pay to listen to regulatory and economic tunes carefully before hopping onto the bandwagon.

33 EDITORIAL INDEX
A handy, concise index of all the features, columns and other editorial matter that has appeared in the pages of DISTRIBUTION in the last twelve months.

COLUMNS

4 EDITORIAL By Thomas A. Foster
Distribution and the American dream

7 DIALOGUE
Time to talk packaging

37 CLAIMS by John Betz
The Elmore case: Still debating a thorny issue

39 DISTRIBUTION & WAREHOUSING By Denis Davis
Take stock in Syracuse

41 ANSWERS & AUDITS
The proof is in the package

43 SMALL SHIPMENTS By Joseph V. Barks
UPS could get comers from all corners

46 COMPUTER By Thomas A. Foster
The outlook for software integration

50 HAZARDOUS MATERIALS By Bob Jordan
'The inspector is here to see you'

52 MANAGEMENT By Denis Davis
Labor wins one for this manager

53 INTERNATIONAL By Thomas A. Foster
What looks like a teddy bear could be a tiger

55 LAW By Colin Barrett
To shippers, now rate bureaus are the turkeys

57 RAIL By Frank E. Shaffer
Shippers want an excess of access

61 TRUCKING By Kurt C. Hoffman
Contracting's awkward years

63 WASHINGTON By Stan Chapman
A new look at truckers' numbers

DEPARTMENTS

4 EDITORIAL STAFF

65 LITERATURE

67 GUIDE TO PUBLIC WAREHOUSES

89 READER SERVICE CARD

93 CLASSIFIEDS

96 LAST PICKUP

NEXT ISSUE

DISTRIBUTION'S
CASEBOOK

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. ©CHILTON COMPANY 1984. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 1438, Riverton, NJ 08077. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/84 $1.00 + 25¢.)

DIALOGUE

In our September Dialogue, we asked for your views on packaging requirements and the desireability and need of NMFC-regulated standards, and for insight into what action you're taking on your own behalf to reduce troublesome damage claims through package design and testing. Appropriately for the season, the respondents have followed a strategy employed on children's Christmas wish lists; they name everything under the sun, stretch Santa's good nature to the limit, and hope for the best, knowing they probably won't get all they want.

While hard-and-fast standards received some solid votes of support, an anomallous result in these deregulatory times, shippers seemingly have no common desires more specific than reducing claims frequency without giving carriers a license to be careless:

"I'm for standardized simulation testing of packages, with authorizations for variance from the standard permitted when field test results support them."**—Unsigned.**

"We are a custom shop and are currently looking for a better means of packaging."**—Mary L. White, plant manager, Da-Lite Screen Co., Cincinnati.**

"Standard packages and standard size cartons in our business make for easier stacking, palletizing, and equally easy counting and loading."**—Dan Rean, warehouse & distribution manager, Keystone Publications, N. Amityville, N.Y.**

"I would like to see packaging for all cartons be submitted for NSTE testing, and then labelled accordingly."**—W. Lasch, traffic manager, Highsmith Co., Inc., Fort Atkinson, WI.**

"I would like to see packaging standards developed. This would then negate motor carrier allegations that faulty packaging rather than improper handling caused in-transit damage."**—W.P. Bryan, traffic manager, Baker Packers, Houston.**

"As a furniture manufacturer, we have been highly involved with the 'F' packages in both classifications. We believe these standards should be maintained to measure the effectiveness of packaging in claims settlements."**—William Poulos, manager of distribution & traffic, Hamilton Industries, Inc., Two Rivers, Inc.**

"My company has left the packaging decision to our vendors. Many of our claims are due to poor packaging, thus resulting in poor customer relations."**—Dennis Bietry, transportation coordinator, Ramada Inns, Inc., Pheonix, Ariz.**

"Packaging rules should also apply to inbound shipments from foreign sources. I can understand why carriers are unhappy—some of these are

continued

QUESTION OF THE MONTH

Shippers are giving money away. Millions of dollars have been paid incorrectly to carriers as a result of billing errors, duplicate payments, overcharges, and so on. Some of this money is returned to the shipper after an audit, with the audit service getting a healthy share. But just as often, these payments are never detected by the shipper.

Much of the fault falls squarely at the feet of the shipper. Commodites are misdescribed. Shipments are misrouted. Rates are not checked. Bills are paid without checking to see if they are duplicates, or they are paid so slow that multiple bills are inevitable. Even computerized payment systems don't always solve the problem because of poor procedures and keyboard errors.

Carriers haven't done much to help the problem. Bills often are incorrectly rated. Overpayments are not sought out, and are handled casually when found. Carrier factoring houses often send out duplicate bills of their own. Bankrupt carriers are now causing problems by sending out " balance due notices" for shipments made years before.

DISTRIBUTION will be doing an indepth report on this problem in early 1985. We need your help to focus our efforts on the most critical aspects of the problem. Please fill out the DIALOGUE card below.

DIALOGUE

- What do you think is the greatest cause of freight charge overpayment? ______Carrier/Factor duplicate billing; ______Shipper payment error; ______Commodity misdescription; ______Inadequate freight payment system
- What percentage of your freight budget do you think is wasted on some form of overpayment? ________percent.
- Do you now, or have you had a problem with carriers, their factors or clearing houses sending you duplicate bills? ______Yes ______No. If, yes, do you think the duplication was intentional? ______Yes ______No.
- Do you have a problem with "balance due notices" from bankrupt carriers or their representitives? ______Yes ______No.
- What do you think is the best safe-guard for avoiding problems with overpayments? ______Pre-audits; ______Post-audit; ______Computerized freight payment system; ______More or better traffic people ______Other(please describe) ____________________

What system do you use to avoid problems with over payments? Please describe below.

OPTIONAL:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit.)

"There are those today urging that Congress limit the principle of free enterprise by amending the Staggers Act and returning to some of the old ways of regulation. In the short term, some shippers and boxcar owners may experience some benefit. But in the long term . . . the shipper will be at the mercy of another form of competition, because there will be no railroad competition. One cannot reasonably believe in the free enterprise system for everyone but the railroads."
—Stanley Crane, chairman and cheif executive officer, Conrail, at American Short Line Railroad Assn. Annual Meeting

•

"It is very likely that, before the end of the next decade, the number of railroads controlling the vast bulk of the industry will again be cut in half. By 1995 the bulk of the nation's commerce could be dominated by four or less railroads—carriers with no incentive to serve the nation other than to maximize the profits of their carefully define fiefdoms."
—Fred M. Zitto, manager, U.S. distribution operations, International Paper Co., at Washington, D.C. press conference.

so flimsy that they fall apart at a touch."**—W.J. Putnam, traffic manager, F. Korbel & Bros., Guerneville, Calif.**

"We as shippers should know what kind of packaging to use, but often carriers disregard notes, such as 'do not stack,' or 'this side up.' Let's work together to set standards and follow through with proper loading procedures."**—Jack J. Hanus, corporate traffic manager, Miller Electronic Mfc. Co., Appleton, Wisc.**

"Good packages, yes!; federal standards, no! What are the 'normal hazards of transportation'?"**—D.J. Gallagher, traffic manager, Aldon Industries, Inc., Calhoun, Calif.**

"Companies that package their freight poorly tend to damage other companies' freight. The carriers should not be held at fault."**—R. Birelex, traffic manager, Continental Ref., Exton, Pa.**

"Let's leave well enough alone. The NMFC standards, while not perfect, put liability on both shipper and carrier, and have worked well up to now. The NFCC proposal would be a can of worms."**—James J. Paule, traffic manager, Spangler Canoy Co., Bryan, Oh.**

"Although I'm a strong deregulator, carriers must agree *in advance* that the package is an approved one. Otherwise, we will see an unnecessary and large increase in the number of claims moving into the courts or, if the dollars are too low, they will simply be dropped."**—Glen E. Schneider, transportation manager, Robinson's of Florida, St. Petersburg, Fla.**

STANDARDS GAIN FAVOR

Transportation manager/dept. called in on packaging decisions:	
always	43%
sometimes	34%
never	19%
Packaging engineer makes packaging decisions	28%
marketing decides	10%
input from many areas contributes to decision	55%
Shippers should develop packaging to withstand normal hazards, and free carriers from proving faulty packaging	47%
carriers should not be freed from proving faulty packaging	43%
undecided	9%
Would like to see federal standards for all modes	52%
would not like federal standards	38%
Have looked at standardizing case sizes	59%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

OCEAN/AIR FINANCIAL REPORTS

The recovery has been pervasive enough to provide hope for even the beleaguered domestic air and steamship industries. Continued release from regulatory restriction contributes further to those modes' optimistic moods—but their own lack of restraint could prove to be their downfall.

DISTRIBUTION Staff Report

RANKING OF AIRLINES
By Freight Ton Miles—1983

1. Flying Tiger	2,019,238
2. Northwest	829,125
3. Pan American	680,116
4. United	592,045
5. American	511,217
6. Trans World	336,287
7. Delta	234,504
8. Eastern	231,435
9. Continental	138,587
10. Western	117,975
11. Zantop	51,878
12. Republic	49,133
13. Arrow	44,371
14. World	34,320
15. Hawaii Express	21,506
16. Alaska	21,111
17. Piedmont	13,298
18. Alaska Int'l	11,866
19. USAir	11,169
20. Frontier	10,726
21. Wien	10,117
22. Capitol	9,059
23. Ozark	6,022
24. Evergreen	5,834
25. PSA	5,023
26. Challenge	4,370
27. Air Florida	4,264
28. Pacific East	4,012
29. Transamerica	3,421
30. South Pacific	2,175

Source: Air Transport Association

The nation's all-purpose economic revival even has air and ocean carriers breathing fresh financial air for a change. And the immediate future remains clear. Two long-awaited legislative actions—the formal sunset of the Civil Aeronautics Board, and the passage of the Shipping Act of 1984—now offer the carriers in both modes a chance to control their own destinies and steer their operations toward further profit opportunities.

But the rarified good fortune now being savored by the air and water segments could be choked off at a moment's notice, if carriers choose to return to the short-sighted practices which have cost them so dearly in the past. Pivotal periods lie ahead, during which carriers will decide whether there can be long-range financial viability for more than just an elite few of their ranks.

For now, though, everyone's doing fine, thank you—or at least a lot better than they have in previous reporting periods. Take a look, for example, at the latest figures we present for the airline industry in the tables on this page and on page 19.

The "Ranking of Airlines" table reflects freight-ton-mile totals for

continued

IATA CARRIERS' FREIGHT AND AIRMAIL TRAFFIC 1983

Millions of Ton-Kilometers Performed	**INTERNATIONAL**		**DOMESTIC**		**TOTAL**	
	1983	**% change* over 1982**	**1983**	**% change* over 1982**	**1983**	**% change * over 1982**
Freight						
Scheduled	20,405	10.0	4,978	6.6	25,383	9.3
Charter	821	−13.8	90	13.2	911	−11.8
Airmail	1,412	3.8	1,254	6.7	2,666	5.2

*The percentage changes have been adjusted to eliminate the misleading effect of IATA membership changes. They refer to the performance of airlines which were members in both 1981 and 1982.
Source: IATA Economics & Industry Finance Division.

1983 that are up for virtually every airline listed, and in some cases up quite significantly. Flying Tigers' already-impressive number-one position in the cargo field was magnified even farther during the year by virtue of its posting a gain of over 400 million ton miles at the same time last year's number two, Pan American, was losing nearly 300 million miles worth of cargo. But Pan Am was the only significant loser during the year. Other big gainers included the new number two, Northwest, which gained over 230 million ton miles, and United, which jumped over 100 million ton miles.

From a profit standpoint, there's still a fair amount of red splashed across the "ATA Airline Statistics" table for 1983, but the blame for the losses that persist can usually be laid at the feet of continued passenger-fare wars. Much more telling figures from a freight standpoint can be gleaned from the "1973-1983" highlights table, which shows a record total for freight ton miles (over 6 billion) and the second-highest figure ever for freight revenues ($2.492 billion, second only to 1981's $2.512 billion). The strong freight performances went a long way toward helping the scheduled airlines post their first operating profit ($300 million) since 1979.

The renewed strength of the domestic industry was mirrored by figures for international air carriers that were released by the International Air Transport Assn. (IATA) in its latest annual report. The IATA figures for 1983 showed a 10 percent increase from 1982 for scheduled freight tonnage carried by its member airlines. "These trends reflect the upswing of the U.S. economy and the strength of the U.S. dollar, which encourage imports from Europe and the Far East," IATA said.

The airlines are finding the return to better times to be so sweet, though, as to almost be alarming. And so they remain extremely cautious about the prospects for continued recovery. As the IATA report notes, "The financial outlook is finely balanced. Profit margins are expected to remain wafer thin and extremely sensitive even to slight changes in capacity, yield or unit cost trends. The airline industry as a whole is still not earning nearly enough fully to cover all costs including fleet and other equipment replacement. This applies even to individual airlines showing a good upturn in profits."

Capacity Catastrophe?

Even less confidence exists in the maritime industry, despite the existence there, too, of encouraging numbers for the year just completed, and for the short-term period ahead.

Our analysis here of the industry is drawn from a special outlook prepared last summer by the Baltimore, Md. investment banking firm of Alex. Brown & Sons. The Brown report concentrated

continued

ATA AIRLINE STATISTICS 1983

	Cargo Ton Miles (000)	Operating Profit (Loss) (000)	Net Profit (Loss) (000)
AirCal	1,682	17,278	3,714
Air Florida	5,568	(16,309)	(50,941)
Alaska	30,904	25,415	15,728
Aloha	1,236	1,000	6,654
American	679,965	249,517	212,874
Capitol	11,924	(20,022)	(29,242)
Continental**	165,017	(170,882)	(170,058)
Delta	356,173	(57,207)	(13,930)
Eastern	349,886	(100,106)	(183,667)
Evergreen	5,834	9,858	2,206
Federal Express	310,529	184,595	108,213
Flying Tiger	2,118,910	6,234	(67,517)
Frontier	24,769	(21,699)	8,398
Hawaiian	1,461	4,055	16,574
Muse	438,537	4,616	(1,959)
Northwest	979,753	69,499	50,073
Ozark	15,398	2,439	1,954
Pan Am	878,874	13,131	(51,025)
Piedmont	28,296	58,492	25,539
Pacific Southwest	9,261	(10,005)	(12,599)
Republic	78,926	(30,889)	(111,031)
Trans World	508,872	(65,248)	(12,373)
United	876,821	152,363	130,464
USAir	41,439	128,871	78,382
Western	167,142	(56,372)	(54,485)
Wein Air Alaska	18,820	(2,239)	(2,175)
Associate Members			
Air Canada	437,000	28,400	3,800
CP Air	185,819	(1,586)	(13,127)

†Discontinued operations on May 13, 1981.

**Includes Texas International, which merged with Continental Nov. 1, 1982.

1973-1983 HIGHLIGHTS
U.S. Scheduled Airlines

Traffic—Scheduled Service	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Freight ton miles ($000)	4,736,729	4,890,026	4,766,118	5,074,193	5,385,129	5,763,249	5,907,731	5,685,622	5,618,113	5,397,701	6,020,527
Freight revenue ($000)	1,038,459	1,216,332	1,295,100	1,482,502	1,687,302	1,939,062	2,155,228	2,370,468	2,512,796	2,351,099	2,492,858
Operating Profit ($000)	585,266	725,740	127,879	721,933	908,040	1,364,863	199,055	(221,615)	(454,770)	(733,435)	310,410
Net Income ($000)	226,693	321,641	(84,204)	563,354	752,536	1,196,537	346,845	17,414	(300,826)	(915,814)	(188,051)
Rate of return on investment (%)	5.1	6.4	2.5	8.6	10.9	13.0	7.0	5.8	5.3	2.7	5.9

on the performance of three major U.S. container lines: American President Lines, Sea-Land, and U.S. Lines. It wasted little time tempering an upbeat short-term analysis with warnings of significant roadblocks to further recovery on the horizon.

"A deterioration in rates and load factors is likely to begin on some trades in 1985," the Brown report said, "and this will worsen in 1986, due to the substantial increase in the world container shipping fleet capacity over the next two years."

Unless it can be checked, Brown and other analysts agree, the capacity glut will quickly work to undo any gains the U.S.-flags can hope to make as the result of new service and rate opportunities created by the 1984 Shipping Act. "While (the new opportunities) will strengthen the relative position of the U.S-flag operators," the Brown report says, "they will not be able to escape the consequences of the increasing oversupply we anticipate in 1985 and 1986."

Spurred by aggressive capacity increases by McLean Industries' U.S. Lines (see tables at left), Brown's analysts foresee the following consequences of unabated buildups in the U.S. trades:

- A drop in load factors on all routes, especially on U.S. export trades and services eastbound from Europe.
- The declining load factors will aggravate the existing trade imbalance and raise the costs of repositioning.
- Other operators will respond by investing in new-generation vessels and by "jumboizing" existing vessels.
- A rate war will be highly probable, and the profitability of the inefficient or unprepared will be severely squeezed. Both Evergreen and McLean, Brown notes, will be able to operate profitably at well below current rates.
- Finally, the battle for backhaul cargo from the U.S. will intensify, with intermodal operators responding by introducing cost-efficient improvements on rail services.

Given this scenario, the Brown analysts are forced to conclude that "post-1984 prospects look disturbing" because of the capacity crisis—even if the current balance sheets of U.S.-flags are healthier than they have been for some time. ★

ESTIMATES OF THE LEADING U.S.-FLAG CONTAINERSHIP OPERATORS' SHARE OF MARKET CAPACITIES

	Mid-1984			Mid-1986		
	APL	McLean	Sea-Land	APL	McLean	Sea-Land
Trans-Pacific	10.9%	3.9%	9.2%	8.9%	7.6%	14.5%
North Atlantic	—	11.2	18.0	—	15.2	14.0
Middle East	—	—	4.0	—	8.2	2.6
Europe/Far East	—	—	—	—	8.2	—
Total	4.3%	4.4%	8.9$	3.1%	9.4%	9.0%

ESTIMATED CAPACITY OF THE LEADING U.S. FLAG OPERATORS

TWO WAY ANNUAL SLOT DEPLOYMENT—000's OF TEUs

	Mid-1984			Mid-1986		
	APL	McLean	Sea-Land	APL	McLean	Sea-Land
Trans-Pacific	443.6	157.2	373.2	443.6	378.6	725.2
North Atlantic	—	299.4	478.4	—	520.8	478.4
Middle East	—	—	72.2	—	221.4	72.2
Europe/Far East	—	—	—	—	221.4	—
Total	443.6	456.6	932.8	443.6	1,342.2	1,275.8

OCEAN CARRIER FINANCIAL FORECAST

	McLean Industries	**Sea-Land**	**American President Lines**
Revenues (in millions)			
1983	$ 785.5	$1,586.1	$ 752.6
1984 (est.)	1,020.0	1,780.0	969.0
1985 (est.)	1,420.0	1.850.0	1,120,0
Earnings per Share			
1983	$0.53	$1.73	$1.97
1984 (est.)	1.80	3.60	7.50
1985 (est.)	2.60	3.20	8.45
Cash Flow per Share			
1983	$1.91	$ 8.79	$1.97
1984 (est.)	3.28	10.35	7.50
1985 (est.)	4.71	9.55	8.45
Book Value per Share	$7.51	$26.17	$29.69
Long-Term Obligation/ Stockholders' Equity 12/83	217.5%	83.7%	93.3%
1983 Cash Flow/Long-Term Obligations	11.7%	40.2%	23.8%

Source: Alex. Brown & Sons, Inc., Baltimore.

CONTAINERSHIP LOAD FACTOR FORECAST

BY TRADE REGION

	TRANSPACIFIC	**NORTH ATLANTIC**	**EUROPE/ FAR EAST**
1984	81.4%	75.5%	62.7%
1985	84.5%	72.0%	62.0%
1986	74.5%	66.5%	53.3%

Source: Planning Research Corp.

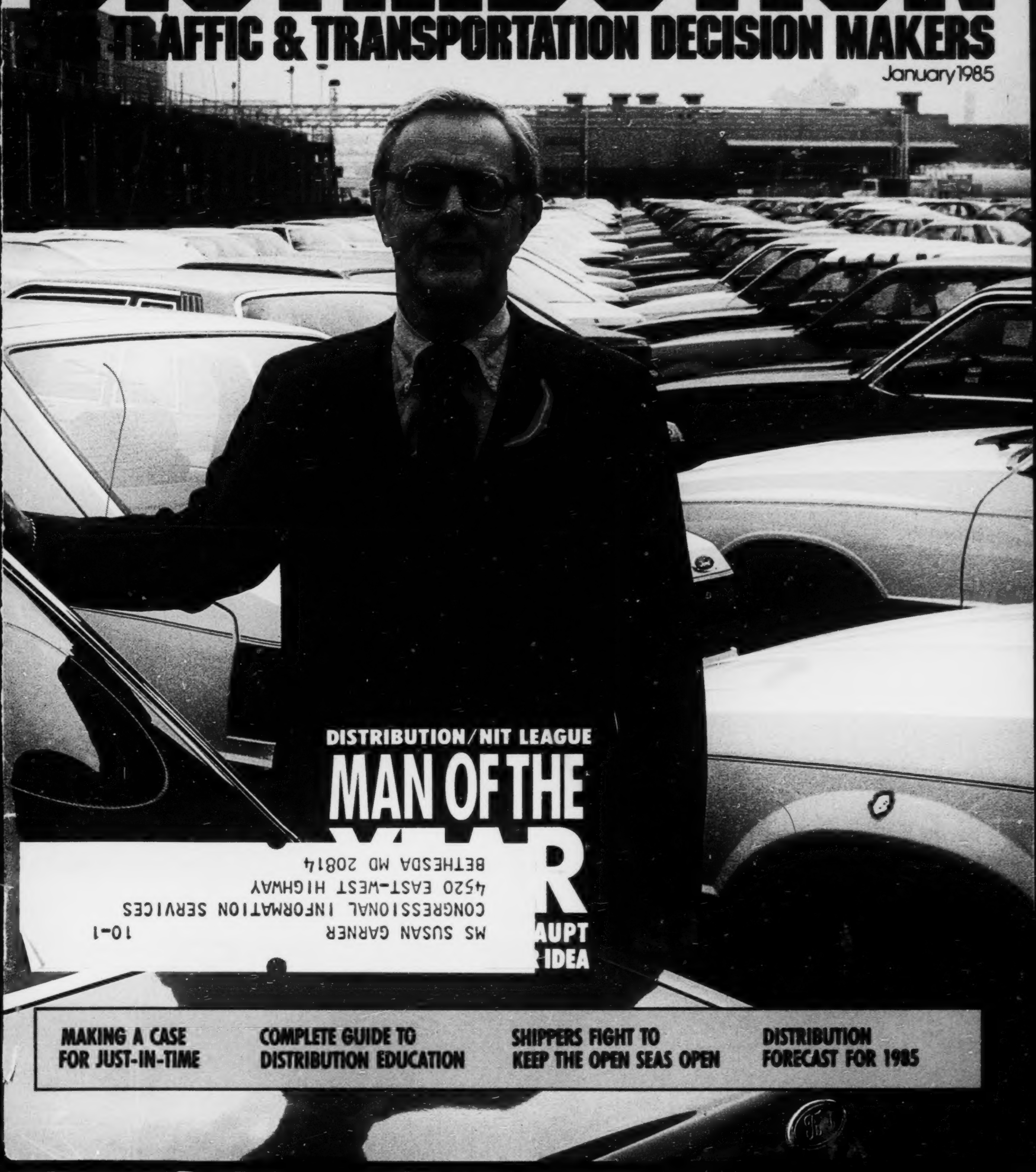
C2150-1

Chilton's

DISTRIBUTION

TRAFFIC & TRANSPORTATION DECISION MAKERS

January 1985



DISTRIBUTION/NIT LEAGUE

MAN OF THE

R

AUPT

-IDEA

MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MAKING A CASE FOR JUST-IN-TIME

COMPLETE GUIDE TO DISTRIBUTION EDUCATION

SHIPPERS FIGHT TO KEEP THE OPEN SEAS OPEN

DISTRIBUTION FORECAST FOR 1985

VOL. 84, NO. 1

Chilton's
DISTRIBUTION
ESTABLISHED 1901

JANUARY 1985

COVER STORY

10 DISTRIBUTION'S MAN OF THE YEAR
Another champion from the Motor City is crowned—this one for displaying a remarkable ability to keep his head about him while many around him are losing theirs.

FEATURES

16 DISTRIBUTION CASEBOOK
Our annual January feature looks at how some gritty companies have not only survived the business world jungle, but are prospering in it.

24 DISTRIBUTION FORECAST
An expanded look ahead to the coming year, outlining expectations for the next twelve months, provides food for thought to both bulls and bears.

28 IS IT ALL GREEK TO YOU?
Not to worry—these socratic institutions can translate your career-oriented ambitions into usable knowledge.

44 SHIPPERS FIGHT TO KEEP THE OPEN SEAS OPEN
U.S. shipper interests are finally being taken to the international maritime bargaining table. But is the small shipper being represented?

17

COLUMNS

4 EDITORIAL By Joseph V. Barks
Onward and Upward

7 DIALOGUE
Customs Service takes shippers' heat

50 WASHINGTON By Stan Chapman
Staggers returns to center stage

54 ANSWERS & AUDITS
Alarm not so false

56 HAZARDOUS MATERIALS By Bob Jordan
Getting in training

60 SMALL SHIPMENTS By Joseph V. Barks
Will Californians leave LTL shippers out in the cold?

62 LAW By Colin Barrett
After-the-fact exemptions nullify tariff rates

63 MANAGEMENT By Dick Lancioni
Yardsticks for managing the new year

65 TRUCKING By Kurt Hoffman
A California model all shippers find ugly

73 RAIL By Frank E. Shaffer
Which are the real waves of the future?

76 DISTRIBUTION & WAREHOUSING By Denis Davis
Priming the computer pump

80 SHIPPER/CARRIER By John Betz
Bankruptcies—a high-stakes game

DEPARTMENTS

4 EDITORIAL STAFF

85 LITERATURE

88 GUIDE TO PUBLIC WAREHOUSES

89 READER SERVICE CARD

94 CLASSIFIEDS

96 LAST PICKUP

1985 Computer Software and Systems Directory

NEXT ISSUE

COMPUTERS

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. ©CHILTON COMPANY 1984. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 1438, Riverton, NJ 08077. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/84 $1.00 + 25¢.)

DIALOGUE

Our annual October look at trends in international distribution included a look at the ticklish problem of combining import and export with national security consideration in such a way as to provide both a profit for private business and a safeguard against leaks of hech-tech and defense-sensitive technology. Your responses to our Dialogue questions indicate indicate that the tough assignment of satisfying both of these needs has been made even more difficult, and less tasteful, by Customs Service officials with less than helfpul attitudes.

"It takes a week to get a shipment cleared in Los Angelese, and 3-4 days to get it signed."**—E. J. Murray, import manager, Allied of Chicago, Inc., Chicago**

"Customs offices in the Boston-New York-Baltimore megalopolis are slow, and their attitude is, 'No hurry, tomorrow, tomorrow, tomorrow.' "**—Unsigned.**

"We've been slowed down by knot-picking inquiries requiring hours of engineering time and explanations on similar and duplicate entries."**—Unsigned.**

"I've experienced loss of paperwork, little or no response to my phone calls, and lack of firm regulation information."**—Unisigned.**

"We export textile products around the world. Customs has been very helpful to us. But imports are hurting textile companies."**—Unsigned.**

"Customs mutilated sample garments from Brazil because they were imported without a visa."**—Philo M. Remidios, traffic manager, Levi Strauss International, San Francisco.**

"I've had Customs demand to inspect imported goods after they had already been examined once and released. this was 120 days after the goods had cleared and they had already been sold."**—J. R. Johnson, traffic manager, Wiebolot Stores, Inc., Des Plaines, Ill.**

"Duty rates are not consistent although the products we export and import are of a similar nature."**—Ken Seigel, traffic manager, Scott Laboratories, Inc., W. Warwick, R.I.**

"C.F. 28 inquiries are too general and vague. Customs officers and specialists should be more specific about the information they need."**—Richard Roeding, traffic manager, Burroughs Corp., Paoli, Pa.**

"Importers should be bonded and licensed. If spot checks show abuse of regulations, the licenses should be revoked. We import and have little trouble."**—V. H. Zelov, director of purchasing, VIZ Manufacturing Co., Philadelphia.**

"We recently shipped high-tech equipment that was state-of-the-art

continued

QUESTION OF THE MONTH

Just when you thought it was safe to kiss Washington goodbye, it looks like this might be a year when you'll have to renew close acquaintences with the workings of that confounded city.

With deregulation measures now having been enacted for every major mode of transport, it appeared shippers and carriers would be able to devote much of their dealings to the "real world" in 1985. But now the industry is abuzz with rumblings about the neal to fine tune, or even overhaul, what has been accomplished legislatively in the past four years.

The Staggers Act promises to get the most immediate and intense scrutiny (see "Washington," p.50). But the are powerful people who would also like to tinker with what we're just now getting used to with respect to trucking, maritime, and export areas, to name a few. This prospect frightens some who feel that years of progress are threatened.

Should Washington leave well enough alone, or is it time to act now before some real fires get ignited later on? This month's Dialogue card (below) gives you the opportunity to send a message to the people who are supposed to act on ***your*** behalf.

DIALOGUE

- Do you consider the deregulation movement to now be complete, or is there more that needs to be done?
______it's complete ______more needs to be done

- Which are the areas that you feel are most in need of Washington's immediate attention? (check all that apply)
______Staggers Act ______highway and fuel taxes
______maritime cargo-reservation laws ______export legislation
______sunsetting the ICC ______antitrust/merger issues
______other (describe): ______________________________

- Which are the areas where Washington should leave well enough alone? (check all that apply) ______Staggers Act
______highway and fuel taxes ______export legislation
______maritime cargo-reservation laws
______the ICC ______antitrust/merger issues
______other (describe): ______________________________

- Are you already involved, or do you plan to get involved, in shipper groups such as SCOT or the Pro-Competitive Rail Steering Committee, to make sure shipper input is heard in Washington this year? ______yes ______no ______not sure

Here is the message Washington should hear as it ponders what to do next:

OPTIONAL:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

DIALOGUE continued

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit:)

"This industry (bar code technology) is maturing. AIM (Automatic Identification Manufacturers) now has 50 members. Readers can read more than one code now. The Europeans are into it; they are about two years behind, and the Japanese are coming."
—David J. "ZAP" Czaplicki, manager-reader marketing group, Intermec Corp., at Scan-Tech '84.

•

"Artificial manipulation of railroad coal rates isn't going to increase coal production by any meaningful amount. It isn't going to make even a small dent in the country's efforts to reduce its use of imported petroleum. And to the degree it imperils the railroad industry's fragile revitalization, such manipulation would actually prove counterproductive, undermining both goals.

The current system is, in fact, working. Coal production is increasing, and will likely continue to increase. And no one is required to pay exorbitant prices."
—William H. Dempsey, president, Association of American Railroads, before the National Association of Regulatory Utility Commissioners in Los Angeles.

five years ago, but that has since been upgraded. We exported it to Red China, and of course they did not receive our upgraded version. Close work with the government from the time we received the order through the shipment ensured a profit for us with no national security risk."**—David Crawford, traffic manager, Aydin Controls, Fort Washington, Pa.**

"My experience with Customs has revealed a lack of knowledge and judgment, inability to communicate effectively, inaccessibility due to poor work habits, arrogance, lack of uniformity in interpretation of published regulations, and poor leadership."**—George M. Hood, manager of distribution and international traffic, Smith & Wesson, Springfield, Mass.**

"I have a suspicion that occasionally Customs agents will slow down in order to go over a shift or day change, to pick up some overtime pay. Very frustrating!"**—Unsigned.**

"Customs is characterized by arrogance, abuse of power, lack of knowledge, incompetence. Put Customs enforcement under the control of private business. Anything works better than government agencies."**—Unsigned.**

"Inbound household goods containers have been moved to a bonded warehouse, unloaded, reloaded and open for inspection by Customs, all at shippers' expense."**—Richard Johann, manager of transportation services, Sundstrand Corp., Rockford, Ill.**

CUSTOM-MADE FOR SHIPPERS?

We need tighter Customs enforcement, not new import regs	60%
disagree	31%
U.S. should be more selective in the items put under export control	75%
disagree	23%
The Dept. of Commerce should oversee export control	67%
disagree	25%
Why not send the Soviets high-tech goods	13%
disagree	85%
New textiles regs do more harm than good	44%
disagree	19%
National security and free trade can be balanced	83%
disagree	15%
I have more problems with Customs regs now	31%
no change	46%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO. 39 WAYNE, PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

FORECAST

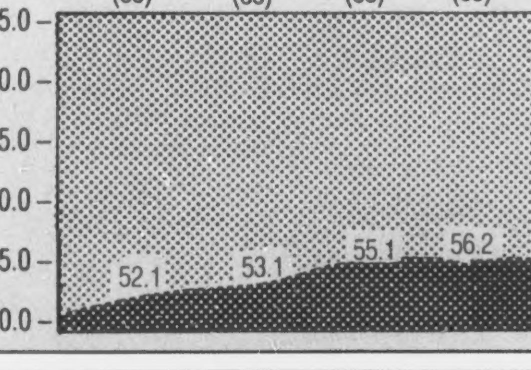
By Richard Lancioni, Ph.D.

GENERAL ECONOMIC INDICATORS–1985

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
Real GNP (trillions)	$3.8177	$3.8612	$3.9015	$3.9648
Retail Car Sales (Mil. units, annual rate)	11.1	10.9	10.7	10.5
Housing Starts (thousands of units, annual rate	1,665.1	1,661.9	1,660.7	1,709.4
Prime Rate (%)	12.1	11.9	11.8	11.5
Index of Industrial Production ('67=100)	166.6	166.9	167.6	168.2
Inflation Rate	4.2	3.5	3.3	4.2
Unemployment Rate	7.3	7.4	7.6	7.7
Net Exports (billions)	$78.9	$81.5	$84.4	$87.7
Corporate Profits (billions before taxes)	$228.5	$224.7	$218.3	$217.9

For the economy in general, growth will be much slower in 1985 compared to '84. The GNP will reach $3,817.7 trillion in the first quarter and grow by only 2 to 3 percent for the entire year. Retail car sales will reach the 10 to 11 million-dollar range in 1985, equalling the record pace of 1984. Housing Starts will show a moderate increase, also repeating the previous year's performance. The inflation rate will remain low in 1985, ranging from 3.5 percent to 4.2 percent through the fourth quarter. But hand-in-hand with low inflation will be unemployment, which could increase as the recovery slows down. The trade deficit will continue to be the dark cloud on the economic horizon, moderating somewhat in the first quarter, but rising to more than $87.7 billion in the fourth quarter.

PURCHASING MANAGERS COMPOSITE INDEX



The National Association of Purchasing Agents index reported a decline at the end of 1984 and it looks forward to an increase in purchasing activity in 1985. DISTRIBUTION's estimate sees purchasing activity expanding throughout 1985, although at a much slower pace than in 1984, because of the slower than expected growth rate. Confidence should remain high among purchasing agents as interest rates remain low and consumer demand increases at a moderate level. Few shortages in critical materials are expected in 1985 and many industries will keep working stocks low in an attempt to reduce holding costs.

FORECAST

DISTRIBUTION INDEX–1985 FORECAST

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
Truck Shipments	141.9	142.3	143.7	144.0
Rail Shipments	123.4	125.9	126.3	126.9
Air Shipments	130.1	132.7	133.1	134.3
Water Shipments	115.8	115.9	117.3	118.1
Warehouse Space Utilization	133.3	134.1	135.6	135.1
Inventory Valuation	113.1	113.5	114.5	114.2

The Distribution Index for 1985 reflects the moderating trend in the other areas of the overall economy. Truck shipments will expand but only moderately from the 141.9 level in the first quarter to to 144.0 in the latter part of 1985. Rail shipments will increase much more slowly from 123.4 in the 1st quarter to only 126.9 in the last part of the year. Air shipments will increase by three points to 134.3 and water shipments from 115.8 to 118.1 by the end of 1985. Warehouse space utilization will grow but only slighty. Likewise, inventory valuation will rise only moderately from the 113.1 to 114.2 level, reflecting mild inflationary pressures.

DIESEL FUEL PRICES–1985 FORECAST

	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
Full-Serve	130.9	132.0	132.0	133.0
Self-Serve	118.1	120.0	125.0	126.0

Source: American Trucking Associations

Energy prices should remain stable for 1985 and rise only moderately from 1984 levels. Self-service prices may rise to $1.25/gallon by mid-year and to $1.26/gallon by year's end. Prices could, in fact, even decline if nations such as Nigeria and Kuwait decide to break with OPEC and increase production in response to price cuts made by England and Norway.

TRANSPORTATION TONNAGE INDEXES (1977=100.0)

	1st QTR. '85	2nd QTR. '85	3rd QTR. '85	4th QTR. '85
Rail	91.845	92.847	93.000	94.000
Truck	160.100	162.300	162.300	163.000
Barge	(N/A)	(N/A)	(N/A)	(N/A)

Source: Data Resources Inc.

Freight tonnage hauled by the major modes will rise only moderately in 1985. Trucking will experience the greatest growth because discounting will continue and new firms will continue to enter the market at a record pace. Rail tonnage will increase but at a more moderate rate than in 1984. Water freight should recover from its somewhat lackluster growth in 1984 as steel and chemical companies increase their shipments in 1985.

TRANSPORTATION COST INDEXES (1977=100.0)

	1st QTR. '85	2nd QTR. '85	3rd QTR. '85	4th QTR. '85
Rail	184.0	186.0	187.0	187.0
Truck	172.0	173.0	175.0	175.0
Barge	186.0	186.0	188.0	188.0

Source: Data Resources Inc.

The cost of moving freight will increase only moderately in 1985. DISTRIBUTION estimates that rail costs will expand from the 184.0 level in the first quarter to 187.0 in the fourth quarter. Trucking costs will also rise by a moderate amount over the same period. As illustrated, the major components of transportation costs are fuel and labor, and they should increase only moderately in 1985, making the distribution manager's job of keeping down costs much easier.

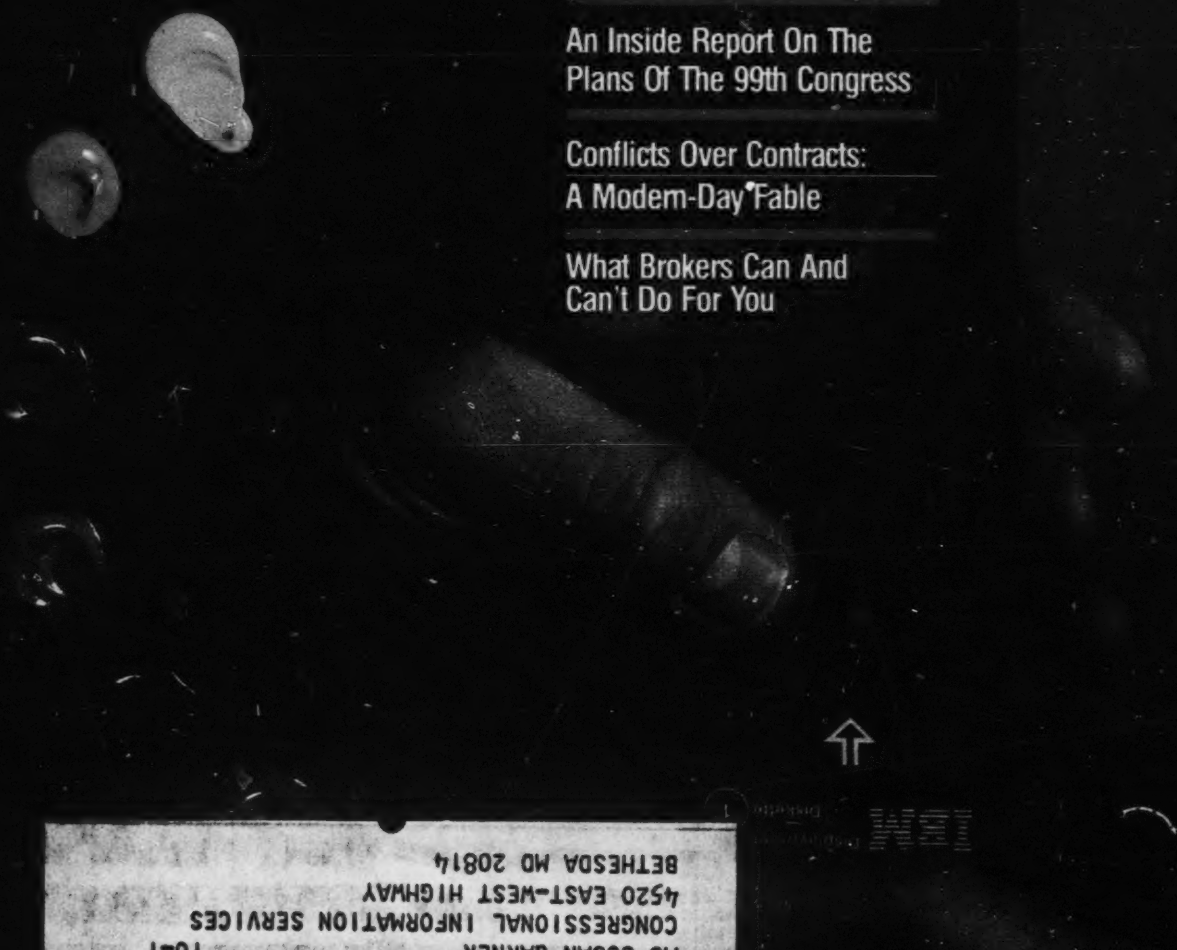
SOFTWARE MASTERPIECES FOR DISTRIBUTION

1985 Guide To Systems, Services & Vendors

An Inside Report On The Plans Of The 99th Congress

Conflicts Over Contracts: A Modern-Day Fable

What Brokers Can And Can't Do For You



MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

VOL. 84, NO. 2

Chilton's

DISTRIBUTION

ESTABLISHED 1901

FEBRUARY 1985

COVER STORY

11 GUIDE TO COMPUTER SOFTWARE, SYSTEMS, SERVICES AND VENDORS
From mainframe to mini, from mileage calculation to MRP—it's all contained in our comprehensive directory of computer systems and software, along with many new systems never before listed.

FEATURES

33 WHAT's AHEAD FOR CONGRESS: AN INSIDE REPORT
The upcoming session of Congress should be the most important in years for the transportation industry. Here's a close-up look at the goings-on in Washington that could affect the outcome of several pieces of key legislation.

38 CONFLICTS OVER CONTRACTS: A MODERN DAY FABLE
As this mythical meeting illustrates, attitudes towards rail contracts that once placed you on sure ground can now leave you with a shakey footing.

50 WHAT BROKERS CAN AND CAN'T DO FOR YOU
One of the industry's most established "pure" brokers provides straight answers to common questions about what to expect from these middlemen who are taking on growing prominence.

55 NATIONAL VS. REGIONAL WAREHOUSES: STATE YOUR CASE
Naturally, it's a split decision, with pluses and minuses on both sides. The winner is anybody looking for public warehousing, because the judges at ringside are speaking from experience.

COLUMNS

4 EDITORIAL By Joseph V. Barks
It doesn't always compute

7 DIALOGUE
A clamor over claims

63 INTERMODAL By Kurt Hoffman
Seaboard's plan to line up agents just fades away

68 MARITIME By Joseph V. Barks
A new contender on the waterfront

70 PRIVATE CARRIAGE By Colin Barrett
Deregulation hasn't eliminated the paperwork

73 CLAIMS By John Betz
Fourteen points are nailed to railroads' door

75 BULK
A menu for minimizing bulk liquid losses

77 INBOUND By Dennis Davis
This windfall was a matter of control

81 LAW REVIEW By Jean Strickland
Tax retaliation thwarted by legal retaliation

83 Computer By Bruce Heydt
Sampling systems tells you more than who's who

86 AIR By Stan Chapman
Now that the CAB's gone—who's in charge?

90 INTERNATIONAL By Denis Davis
Shippers can truck to foreign markets

DEPARTMENTS

4 EDITORIAL STAFF

93 LITERATURE

94 GUIDE TO PUBLIC WAREHOUSES

102 CLASSIFIEDS

103 ADVERTISERS INDEX

104 LAST PICKUP

NEXT ISSUE

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. ©CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 1438. Riverton, NJ 08077. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25¢.)

DIALOGUE

The Claims column and accompanying Dialogue questions in the November issue evoked as much outrage from readers, and the Shippers National Freight Claim Council (SNFCC) in particular, as any we've presented recently. SNFCC Executive Director William Augello's challenge of railroad liability policies, and his response to our challenge to make specific grievances public are given further treatment in this issue. (Claims, p. 73 and Last Pickup, p. 104). On this page are some of the responses we received from you, our readers, on the same subject. The replies to our November Dialogue questions were razor-sharp, although the number of returns was surprisingly, perhaps significantly, small. The railroads were not the only ones blasted by those readers who did reply—shippers and even Bill Augello himself took some shots. Sadly, few of this second group were willing to identify themselves, so we can't say whether they represent the opinion of shippers who can't, in good conscience, rap policies they really don't think are out-of-line, or those of railroad reps who are defending their home turf.

"The liability question receives more attention than it deserves. Proper packaging and loading go a long way toward controlling damages."—**Unsigned.**

"Service must improve in the area of claims handling or there will be further reallocation to other modes."—**Guy Russo, executive vice president, Nippon Overseas Corp., New York.**

"Rail liability has no adverse effects on our distribution process since we had sufficient corporate insurance coverage."—**A. A. DeJesus, traffic manager, Northrop Corp., Anaheim, Calif.**

"Since deregulation, carriers have systematically inserted provisions in their circulars that limit their liability. Expect this trend to continue. All of these provisions are presented on a 'take-it-or-leave-it' basis."—**Laurence J. Stern, director of transportation, Sunkist Growers, Inc., Van Nuys, Calif.**

"Railroads are making changes in their claim rules that violate the law because they provide no clear choices for shippers and automatic releases."—**Unsigned**

"There needs to be more assistance given to the shipper when dealing with railroads on claims. The railroads are not taking enough responsibility for their actions."—**Robert D. Quig, administrative manager, A. J. Fritz & Co., San Francisco**

"When cargo is entrusted to a carrier, the carrier should be fully liable,

continued

QUESTION OF THE MONTH

This issue marks the third anniversary of ***DISTRIBUTION's*** directory of computer systems and services designed exclusively for the transportation and distribution industry. Since we began this ongoing project, the number of vendors playing the software game has increased dramatically. In addition, new systems offered by both the young bloods and the old familiar faces have been introduced at an even more accelerated pace.

It often seems as if this rush by vendors to grab a piece of the transportation market has outstripped the industry's needs. Are there more systems available than you have need of? Is an umpteenth routing system really of any interest to you? Is one electronic mileage guide better than the next? And more importantly, with all the choices, how do you make your decision when it's time to lay your money down?

Do you go with a big name you know you can trust, or with a small, new supplier you know will be anxious for your business—for a specialist in the function you're looking to computerize, or a company offering anything and everything, including systems that you might want to expand into later?

On the card below, tell us something abut your distribution software shopping habits.

DIALOGUE

- On which do you rely most for software vendor comparisons: ______trade publications ______vendor literature ______user recommendations ______on-site demonstrations
- Which is most important to you in choosing a vendor: ______price ______hardware compatibility ______flexibility ______service/training ______other ____________________
- There are too many rating and routing systems and not enough that handle claims reporting, carrier performance, load matching, etc.: ______agree ______disagree ______not sure
- Much of the software available through vendors can be duplicated by our company in-house: ______agree ______disagree ______not sure
- The biggest reason for relying on a vendor rather than developing a system in-house is: ______limited manpower ______development and maintenance costs ______lack of computer expertise ______other ____________________
- I'd like to see more systems tailored for use on a: ______mainframe computer ______mini ______micro

7

This is what I would like vendors to know about my computer software needs:

OPTIONAL:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

DIALOGUE continued

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit:)

"Not long ago, when ever two or more truckers gathered together, the subject was regulation—how much did we want and how could we stop Teddy Kennedy from beating up on us. Now, when two or more truckers are gathered together the subject is taxation and how do we stop Congress from beating up on us."**—Thomas A. Callaghan, Jr., executive director, Alliance for Simple, Equitable and rational Truck Taxation, before the Arkansas Motor Carriers Association, Fayetteville, Ark.**

•

"Economic historians will eventually acknowledge that 1981 was a year of fundamental change in the distribution services industry. But change confounds before it comforts. Financial stability became key. Industries don't fail, but companies do. Approximately 300 transportation companies discontinued operations. Among the survivors, it remains to be seen who has a history and who has a destiny."**—Robert V. Delaney, vp-strategic planning, Leaseway Transportation, at the Governor's Conference on Intermodal Transportation, Montgomery, Ala.**

unless contracted otherwise by the shipper."**—John H. Stange, traffic manager, Titan Industrial Corp., New York**

"On exempt shipments, I am paying 125 to 150 percent of the rate in existence prior to Staggers for full liability. If I request reduced liability, why are the railroads only offering rates based on pre-Staggers full liability? Where is the trade-off?"**—Michael Ferrise, senior transportation administrator, Wakefern Foods Corp, Elizabeth, N.J.**

"When you ask the transportation industry what their claim ratio is, be sure to ask how many claims are filed against how many are paid. Of course claim ratios are low if a carrier doesn't pay them. As the saying goes, 'litigation is not worth the cost' of most claims which are denied."**—Unsigned**

"How can you negotiate when captive on a single line? It's a take-it-or-leave-it attitude. The Railroad contracts are adhension contracts. My choice of liability terms is limited to two—released liability or a penalty for full value. It should be the reverse."**—Unsigned.**

"I've had no problems at all. Motor carriers give me all my claims problems."**—Unsigned.**

"Railroad marketing personnel play a key role in establishing and implementing liability practices. Their approach has been more even-handed than past dealings with railroad claims departments."**— D.S. Mollenhauer, manager of transportation services, Lamb-Weston, Inc., Portland, Ore.**

SHIPPERS DECLINE RAILS' POLICIES

Since Staggers, full liability rail rates have increased	31 %
decreased	19%
stayed the same	46%
Released rates and contracting for lower rail liability has:	
increased insurance needs	37%
decreased insurance needs	8%
insurance never needed	38%
Alternatives to full rail liability are satisfactory	27%
unsatisfactory	65%
Claims experiences with railroads have been satisfactory	46%
Unsatisfactory	50%
Claims performance is of major importance is selecting	
a rail carrier	54%
not a major consideration or captive shipper	43%

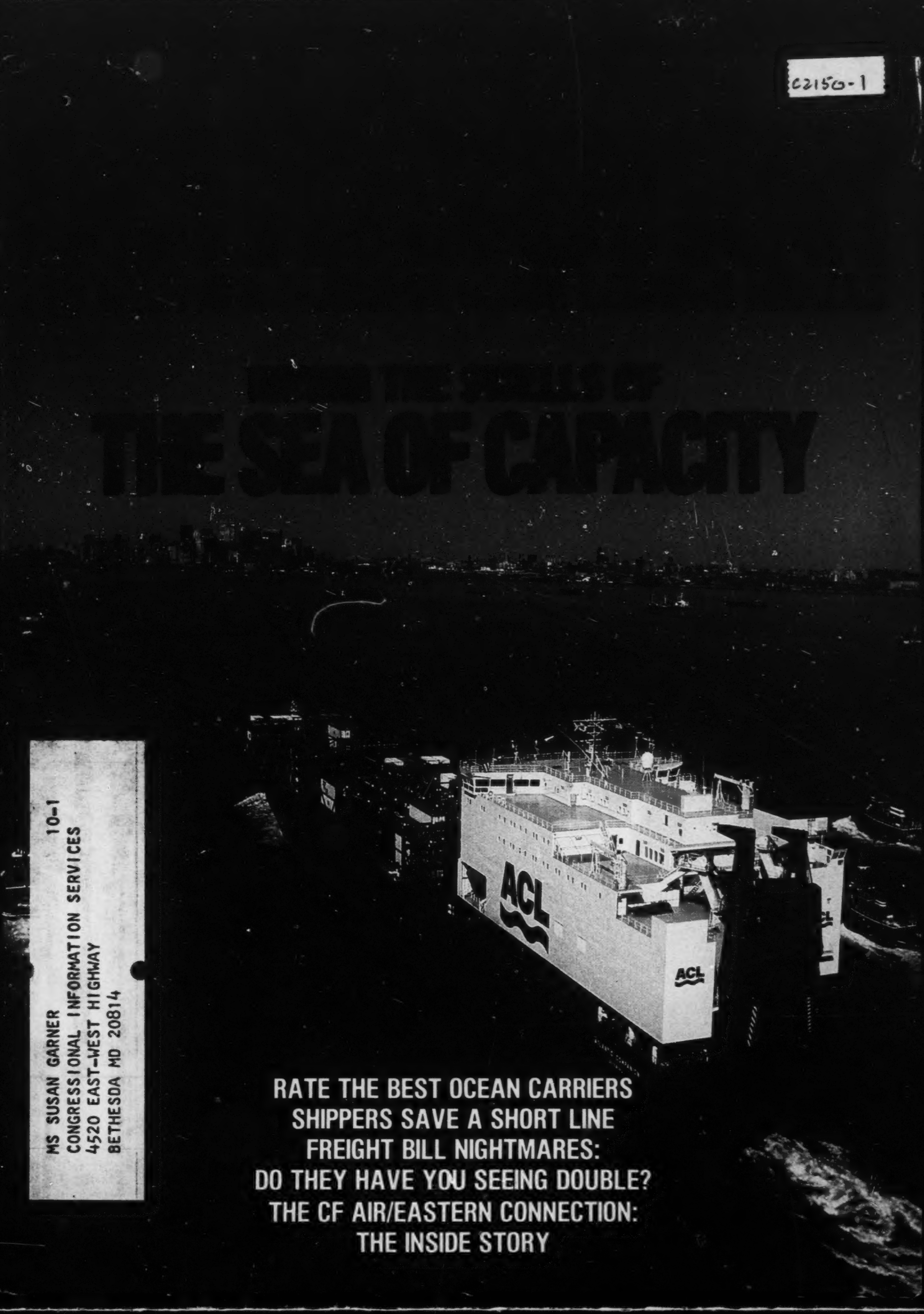
NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

C2150-1



RIDING THE SWELLS OF
THE SEA OF CAPACITY

MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

RATE THE BEST OCEAN CARRIERS

SHIPPERS SAVE A SHORT LINE

FREIGHT BILL NIGHTMARES:
DO THEY HAVE YOU SEEING DOUBLE?

THE CF AIR/EASTERN CONNECTION:
THE INSIDE STORY

VOL. 84. NO. 3

Chilton's
DISTRIBUTION

MARCH 1985

ESTABLISHED 1901

COVER STORY

10 RIDING THE SWELLS OF THE SEA OF CAPACITY
ATTENTION SHIPPERS: Ocean carriers headed to ports around the world. Have space, must fill. No offer refused.

FEATURES

18 A LONG STRUGGLE TO STAY AFLOAT
Caught between the shallows and the shoals, America's barge industry has to lighten its load to reach open water.

27 SPRING TRAINING
DISTRIBUTION'S calendar of events for the spring season.

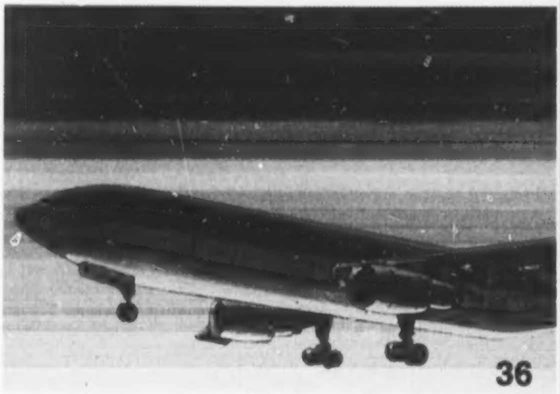
30 SHIPPERS SAVE A SHORT LINE
Mississippi companies and communities mobilized in a hurry when threatened with the abandonment of a vital rail link.

36 THE CF AIR/EASTERN CONNECTION
How noise regulations, napkins and an ex-astronaut put together a novel solution to an industry problem.

43 THE BEST ARE BACK
DISTRIBUTION's carrier marketing awards selection moves into round two. This month we look at the ocean carriers.

45 ARE YOUR FREIGHT BILLS COMING BACK TO HAUNT YOU?
The flip side of deregulation's rate freedom has been its renewed potential for paying needless overcharges and getting billed for old balances you should have paid, but didn't.

56 DISTRIBUTION FORECAST



36

COLUMNS

4 EDITORIAL By Joseph V. Barks
Kiss an old headache goodbye

7 DIALOGUE
Paying for "your" mistakes

61 DISTRIBUTION & WAREHOUSING BY Denis Davis
High—tech, high—gear distribution

64 INTERNATIONAL
Don't forget what gets you there

66 LAW By Colin Barrett
Published tariffs versus quoted rates

68 ANSWERS & AUDITS
Charges on overcharges

73 SHIPPER/CARRIER by John Betz
How should carriers be selected?

80 TRUCKING by Kurt Hoffman
Carrier insurance coverage is less than ensured

82 HAZARDOUS MATERIALS BY Bob Jordan
The call that will test your commitment

85 SMALL SHIPMENTS by Denis Davis
Rates? just between us...

93 WASHINGTON by Stan Chapman
Think tank's thoughts could tax trucks more

98 RAIL by Frank E. Schaffer
Perishable shipments blossom

DEPARTMENTS

4 EDITORIAL STAFF

105 GUIDE TO PUBLIC WAREHOUSES

114 CLASSIFIEDS

115 ADVERTISERS INDEX

116 LAST PICKUP

NEXT ISSUE

Time to tear up Staggers?

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. ©CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 1438, Riverton, NJ 08077. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25¢.)

DIALOGUE

When we asked readers to give us an idea of their experiences with overpayment problems and duplicate billings, the response spoke volumes. The return on our December Dialogue card was the biggest ever, and responses were still coming in as the issue went to press. What we've found, both through the readers' responses and a separate investigation by Contributing Editor Kurt Hoffman, is that while everybody seems to casually accept that overpayment is a problem, the portion of freight budgets consumed by overcharges is shocking. And those who feel most confident that they've got the problem licked may be setting themselves up for the biggest surprise of all. Here's what some of nearly three hundred readers had to say:

"We rely on pre-audits. Adjustments made prior to payment also make the carriers aware of problems if they are constant."**—W. Darnell, president, Tucson Traffic Service, Inc., Tucson, Ariz.**

"We first negotiate our own tariffs with carriers. Secondly, we pre-audit and advise carriers of the errors. Thirdly, we have two post-audits done."**—Forrest C. Abel, manager–trans. rates/analysis, Freightliner Corp., Portland, Ore.**

"We currently use a pre-audit system that is supplemented by us providing the auditor with copies of contracts and discount tariffs. We are exploring the use of computerized freight payment on simple billings from high-volume carriers."**—Thomas Hart, director of worldwide traffic, Burroughs Corp., Wayne, Mich.**

"All bills are pre-audited and post-audited. A new computerized accounts payable software system should also weed out the duplicate billing problem."**—T. F. Wright, traffic manager, Cessna Aircraft Co., Hutchinson, Kan.**

"I check each bill for correct classification and rates. If an error is found, I do not pay the bill until a corrected bill is received. The carrier usually responds."**—Ronald Dasent, traffic manager, Keystone Screw Corp., Willow Grove, Pa.**

"Our computer system prevents payment on a pro number if it was already entered in the same month. If we are checking older bills, we check the file by hand."**—Lynne J. Brown, traffic manager, Bradley Corp., Menomonee Falls, Wisc.**

"We match invoices with delivery copies, pre-audit and correct the charges if they're found to be incorrect. We mark the delivery copy to indicate the bill has been paid. The payment record is computerized."**— Don Davis, traffic manager, Delco Systems Operations, GMC,**

continued

QUESTION OF THE MONTH

On Friday, February 8, the long-anticipated sale of Conrail took a major step towards fulfillment, when Secretary of Transportation Elizabeth Dole announced that the Eastern railroad would be sold, pending approval by Congress, to the Norfolk Southern Corp.

Already both shippers and rail industry representatives have voiced dismay over the decision. Opponents of the sale to the Norfolk Southern say that such a deal would produce a variety of ensuing ill-effects, including reduced competition and related declines in service and price benefits, and the loss of jobs in the Northeast, where the labor outlook already compares unfavorably with other parts of the country.

How do you think the acquisition of Conrail by the NS will affect you? Are the doomsayers right about service and rate tradeoffs on the horizon, or will consolidation of the two rail systems open new opportunities? And what action should Congress take? Should they approve the sale, or are there better alternatives you'd like them to consider? Let us know how you feel about the Conrail sale, and what effect it will have on you. Send us the Dialogue card below.

DIALOGUE

- I ______approve ______disapprove of the sale of Conrail to the Norfolk Southern.
- As a result of the approved sale, service to points currently served by Conrail will: ______improve ______worsen ______remain about the same.
- As a result of the sale, freight rates to destinations currently served by Conrail will: ______increase ______decrease ______remain about the same.
- The purchase of Conrail by the NS is dangerous because it would reduce the competition between carriers and would create a new "rail giant" with little incentive to respond to shippers' needs. ______Agree ______Disagree.
- The consolidation of the two rail systems will lead to streamlined service and new opportunities for cooperation between shippers and the railroad. ______Agree ______Disagree.
- If Congress approves the sale, I ______would ______would not consider diverting freight from rail to other modes of transportation.

This is what action Congress should take and why:

____

____

____

____

____

OPTIONAL:

NAME (print) ______ TITLE ______

COMPANY ______ PHONE ______

ADDRESS ______

CITY ______ STATE ______ ZIP ______

DIALOGUE continued

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit:)

"I think the reason we have the mess we have in truck taxation is that we just don't know enough. We don't seem to know for sure whether we are a national industry or a series of fifty state industries. We certainly look like a national industry. We've got about 2,700 carriers with nationwide general commodity authority. We serve shippers who compete in world markets. But for some reason, we're not absolutely convinced that we are a national industry.—**Thomas A. Callaghan, Jr., Alliance fort Simple, Equitable and Rational Truck Taxation, to the Regional and Distribution Carriers Conference, Palm Springs, Calif.**

•

"This issue of counterfeit or will-fit parts has become a problem of monumental proportions. It is an industry problem, not just a problem for the vehicle manufacturer, but for many distributors, and certainly the customer. It is a problem that is much deeper than just counterfeiting, since many parts, legal or not, have become a major threat to highway safety."—**John B. Curcio, president, Mack Trucks, Inc., at the Parts and Service Spectacular, Fort Worth, Tex.**

Goleta, Calif.

"All freight bills are audited before payment. A flat class rate has been established, therefore errors in rating have been reduced."—**Bobby G. Griggs, traffic manager, Daisy Manufacturing Co., Rogers, Ark.**

"We pre-audit and post-audit all of our freight bills; however, this still does not prevent a lot of time wasted by filing out overcharge claims."—**Richard J. Ditrich, traffic manager, Dezurik, Sartell, Minn.**

"A pre-audit ensures correct description and rates, as well as extension of rates. A problem we have today that was unheard-of three years ago is ensuring that the proper discount is applied."—**Gary H. Holbrook, ass't. manager of transportation, Zale Corp., Irving, Tex.**

"We use a bank payment plan that screens bills for duplication, etc., combined with a pre-audit and a post-audit done by a different company."—**Myles Leblang, transportation manager, Fay's Drug Co., Liverpool, N.Y.**

"Each move is assigned a unique dispatch number by computer. Then our operations group inputs the vendor and the cost of the move. When the invoice arrives in Accounts Payable, a computerized search is made to match the dispatch number with the vendor and amount. If there is no match, research is done to find the discrepancy. Or if the bill was previously paid, the computer will give that information."—**Philip Marbach, controller, Transamerica Distribution Services, Chicago.**

"We try to negotiate simpler rates with carriers to eliminate or reduce commodity description errors."—**Tom Cravens, traffic manager, Hart Stores, Inc., Columbus, Oh.**

PAYING FOR "YOUR" MISTAKES

The greatest cause of freight overpayments is:	
Inadequate freight payment system	35%
Duplicate billing	35%
Commodity misdescription	28%
Shipper payment error	13%
Percentage of freight budget wasted on overpayment	3%
Shippers having problems with duplicate bills	80%
Shippers suspecting deliberate duplication	25%
Problems with balance-due notices from bankrupt carriers	53%
The best safeguard against overpayments is:	
Pre-audits	88%
Computerization	29%
More or better traffic people	27%
Post-audits	13%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

SECOND QUARTER

FORECAST

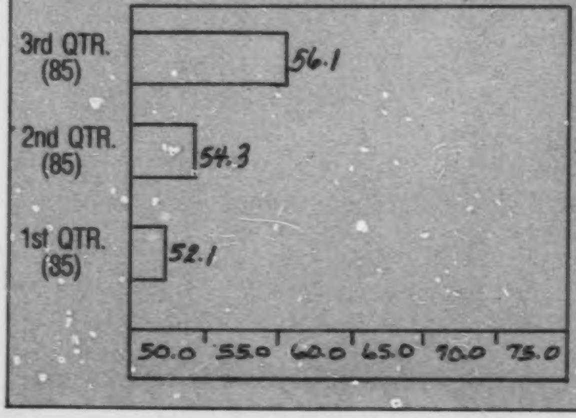
By Richard Lancioni, Ph.D.

GENERAL ECONOMIC INDICATORS

	1st QTR.	2nd QTR. FORECAST
Real GNP (trillions)	$3.8177	$3.9150
Retail Car Sales (Mil. units, annual rate)	11.1	11.1
Housing Starts (thousands of units, annual rate	1,685	1,751
Prime Rate (%)	11.5	11.0
Index of Industrial Production ('67=100)	166.6	166.9
Inflation Rate	3.9	3.3
Unemployment Rate	7.3	7.2
Net Exports (billions)	($78.9)	($81.5)
Corporate Profits (billions before taxes)	$225.5	$221.7

The first two quarters of 1985 will result in financial growth in the U.S. economy. Real GNP should reach $3.915 trillion dollars at the end of the second quarter. Retail car sales will climb above the 11.1 million rate for the year, and housing starts should reach 1.751 million units by June. Inflation will moderate for the first part of the year, averaging only 3.3 percent for the first two quarters. This is the lowest level in 25 years. Combined with this will be the stabilizing of the unemployment rate at the 7.2 percent level. The dark cloud on the economic horizon is the excessive federal deficit, which will reach $180 billion. Failure to reduce the deficit will compound the interest rate problem, and drive short-term rates upward. Another difficult problem is the excessively high value of the dollar, which has significantly reduced American exports and created a worrisome balance of payments deficit which will reach more than $84.4 billion by the third quarter.

PURCHASING MANAGERS COMPOSITE INDEX



The National Association of Purchasing Agents Index shows an increase in purchasing activity in the first and second quarters of 1985. The upward trend is based on lower-than-expected interest rates during the period, and expended demand for manufactured products. Purchasing activity should grow at a moderate level during 1985 and few shortages are expected during the year. Most raw materials are in plentiful supply, and some products, such as crude oil and steel, will have moderating prices in the second and third quarters. While raw material availability will remain stable, there will still be pressure by top management to keep inventory stocks low in most firms.

SECOND QUARTER

DISTRIBUTION INDEX

	1st QTR.	2nd QTR. FORECAST
Truck Shipments	141.9	144.3
Rail Shipments	123.4	126.0
Air Shipments	130.1	135.7
Water Shipments	115.8	115.7
Warehouse Space Utilization	133.3	135.1
Inventory Valuation	113.1	112.5

Activity in the distribution industry for the first part of 1985 will mirror the activity in the overall economy. Truck shipments will increase throughout the period from 141.9 in the first quarter to 144.3 in the second. Rail shipments will also rise from 123.4 to 128.6 as more and more shippers increase their use of piggyback, and as bulk shipments increase. Air freight will rise from 130.1 to 135.7 over the same period. This growth will be due in part to the popularity of air freight among shippers and the number of new firms getting into the business and directly competing with Federal Express and Airborne. Water shipments will continue to increase, but only by a moderate amount through the second quarter. Warehouse space utilization should continue to expand and reach the 135.1 level by the end of the second quarter. Inventory valuation should moderate as the overall inflation rate in the economy falls from 113.1 to 112.5 by the end of the second quarter.

DIESEL FUEL PRICES

	1st QTR.	2nd QTR. FORECAST
Full-Serve	130.9	132.0
Self-Serve	118.1	120.0

Source: American Trucking Associations

Energy prices should remain stable for the first part of 1985 and decline in the third quarter. This drop is in part due to the decline in OPEC's official per-barrel price to $28, and the continued reduction in the spot price of crude oil on international markets. Full-serve diesel prices should reach $1.32 per gallon by the end of the second quarter, and fall to $1.30 in the third quarter. Self-serve prices will also moderate from the $1.20 level in the second quarter to $1.18 by the end of the third. This will be a good year for fleet managers, for fuel will be available and prices may be even lower by year's end.

TRANSPORTATION TONNAGE INDEXES
(1977=100.0)

	1st QTR.	2nd QTR. FORECAST
Rail	90.845	91.847
Truck	161.100	162.300
Barge	(N/A)	(N/A)

Source: Data Resources Inc.

Freight tonnage will grow in all sectors for the first part of 1985. Rail tonnage should increase from the 90.8 level in the first quarter to 91.8 in the second. Truck tonnages will also expand, from 161.1 to 162.3 at the end of the second quarter. The continued growth in both sectors again reflects the expansion in the overall economy. While water freight data is not shown, it should continue to expand during the same period.

TRANSPORTATION COST INDEXES
(1977=100.0)

	1st QTR.	2nd QTR. FORECAST
Rail	184.0	186.0
Truck	172.0	173.0
Barge	186.0	186.0

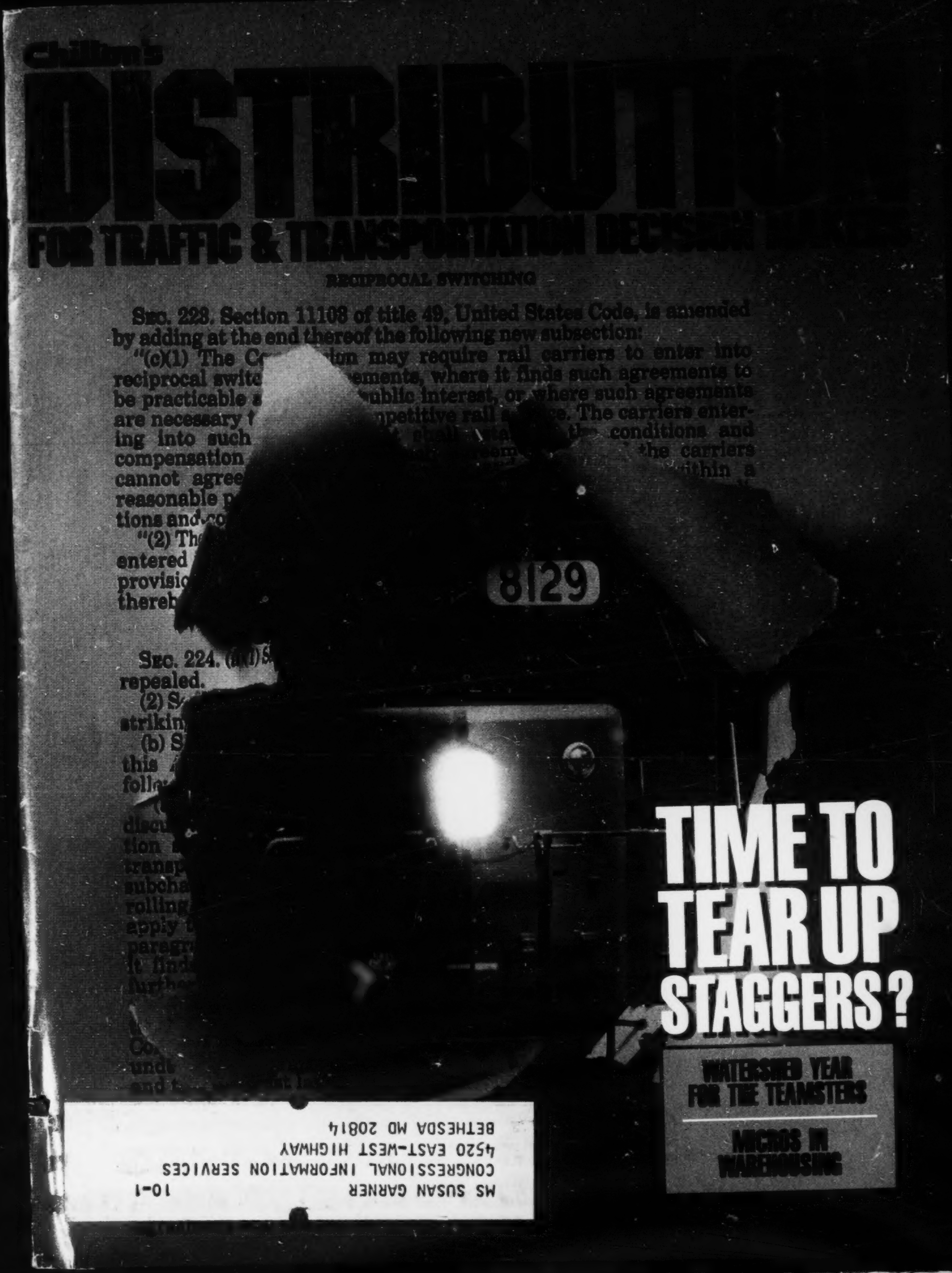
Source: Data Resources Inc.

The cost of moving freight will increase only moderately during the first quarter, and, in fact, remain relatively stable due to the moderation in energy and fuel prices. The rail cost index will increase from 184.0 in the first quarter to 186.0 in the second quarter. The truck costs will rise slowly from 172.0 to 173.0 during the same period. Water transportation costs will remain constant at the 186.0 level through the second quarter. The first half of 1985 will be one of the few times in the past 15 years in which distribution managers have enjoyed stable transportation costs.

Chilton's

DISTRIBUTION

FOR TRAFFIC & TRANSPORTATION DECISION MAKERS



RECIPROCAL SWITCHING

SEC. 228. Section 11103 of title 49, United States Code, is amended by adding at the end thereof the following new subsection:

"(c)(1) The Co[illegible] may require rail carriers to enter into reciprocal swit[illegible] [illegible]eements, where it finds such agreements to be practicable a[illegible] [illegible]ublic interest, or where such agreements are necessary t[illegible] [illegible]mpetitive rail s[illegible]e. The carriers entering into such [illegible] shall [illegible] the conditions and compensation [illegible] [illegible] the carriers cannot agree [illegible] within a reasonable p[illegible] tions and co[illegible]

"(2) Th[illegible] entered [illegible] provisio[illegible] thereb[illegible]

SEC. 224. (a)(1) S[illegible] repealed.

(2) S[illegible] strikin[illegible]

(b) S[illegible] this [illegible] follo[illegible]

8129

WATERSHED YEAR FOR THE TEAMSTERS

MICROS IN WAREHOUSING

MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

VOL. 84, NO. 4

Chilton's

DISTRIBUTION

ESTABLISHED 1901

APRIL 1985

COVER STORY

10 TIME TO TEAR UP STAGGERS?
Staggers has turned rail transportation into a whole new ball game—one that's not always easy to make sense of, and one that's complicated by unfamiliar players, positions, and more than one "sticky wicket."

FEATURES

43 MIXED EMOTIONS ABOUT MICROS
A study finds more warehousers operating without computer power than with it. And the future isn't exactly charged with electricity.

47 PACIFIC CARRIERS COME OUT FIGHTING
The problems of overcapacity and depressed rates have spawned a new entity in the ranks of ocean carriers. Forget about traditional conferences and rate structures, and prepare to deal with a new "megaconference."

51 WATERSHED YEAR FOR THE TEAMSTERS
The pragmatic long range thinking that marked the latest round of negotiations signasied an end to an era of turmoil and thuggery.

53 THE BEST ARE BACK
DISTRIBUTION's second carrier marketing awards selection continues. This month we look at the rail carriers.

COLUMNS

4 EDITORIAL By Joseph V. Barks
Who's the Boss?
7 DIALOGUE
A message to Congress
58 PRIVATE CARRIAGE By Colin Barrett
Are you covered by the feds?
63 AIR By Stan Chapman
Are shippers' needs really time-sensitive?
68 INBOUND By E. J. Muller
Nine items or less—no waiting
79 LAW REVIEW By Jean Strickland
Two new routes toward antitrust
80 MANAGEMENT By Denis Davis
Managing modules was no small matter
82 CLAIMS By John Betz
The case of the cork pagoda
86 COMPUTER By Bruce Heydt
Learning the programmer's language
90 BULK By Bruce Heydt
Now we can all be in this together

DEPARTMENTS

4 EDITORIAL STAFF
97 GUIDE TO PUBLIC WAREHOUSES
101 READER SERVICE CARD
105 CLASSIFIEDS
107 ADVERTISERS INDEX
108 LAST PICKUP

NEXT ISSUE

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. © CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 2105, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25¢.)

DIALOGUE

In January we predicted it would be a year of major importance legislatively. Your reaction to our call for a message to Washington indicates that lawmakers still have a lot to think about on matters of deregulation, taxation, antitrust, and more.

"The Staggers Act is working. It is too soon to consider any changes. Antitrust immunity should be removed in total for carriers and their rate bureaus. What has been removed has created a better environment."—**A.S. Daviau, director of corporate transportation, Bristol-Myers Co., New York.**

"Washington and the state and local governments should have no role in transportation—no subsidies, no regulation, no price controls, no municipal systems. The State impedes development of the economy and protects the strong at the expense of the weak. It must end."—**Richard A. Cooper, traffic manager, Spectronics Corp. Westbury, N.Y.**

"Stop proliferation of ICC authority and do something about insurance costs to trucking firms."—**E.L. Frank, president, Transportation Services Unlimited, Elk Grove, Ill.**

"Highway and fuel taxes should be reduced with the reduction of infrastructure repairs."—**J. Slekis, traffic manager, Jet Spray Cooler Co., Norwood, Mass.**

"With complete intermodal deregulation around the corner, some type of antitrust strength must remain to prevent a complete takeover of the transportation industry by the giant transportation companies."—**Sanford Foreman, vice president, A. Cesana & Assoc., Inglewood, Calif.**

"Leave the Staggers Act alone. It's working just fine."—**R.N. Sohor, distribution manager, Rose Holland House, Inc., Ridgefield, N.J.**

"Deregulation has worked. Sunset the ICC. Let the shippers and carriers control the industry. We can handle it."—**Jim Ammons, traffic manager, Baddour Inc., Memphis, Tenn.**

"Do not rush into reregulation; make sure all areas are thoroughly investigated before changes are made. Listen to all those concerned."—**Donald A. Nichols, distribution manager, Guardian Industries Corp., Carleton, Mich.**

"Deregulation is going too far. We are back to 1887. Some form of regulation will emerge in the future through necessity."—**Shin Ohashi, traffic manager, Del Mar Co., Westminster, Calif.**

"Let's end all economic regulations. The only regulations should be in

continued

QUESTION OF THE MONTH

Are ocean carriers crying wolf? While they moan about depressed outbound cargo levels and the difficulty of surviving in an increasingly overtonnaged business, many lines have embarked on programs to build even bigger vessels.

What do shippers see as the long-term effects of the overcapacity/newbuilding dilemma? Will they reap bargain freight costs as carriers cut the rug out from under each other? Or, are there hidden trap doors for shippers, which might soon drop open?

And what of the recently announced TWRA "superconference"? (p. 47) It shows that steamship lines—stung by the "emasculation" of the Shipping Act, lack of export cargo, and a surplus of capacity—are taking some drastic steps to fill their coffers. But are those coffers really that depleted? Are carriers really struggling to survive, or are they just attempting an end run around considerations granted shippers by the 1984 Shipping Act?

Are the ocean carriers' woes worthy of compassion, or scorn? Let us know how you feel on the Dialogue card below.

DIALOGUE

- I think the recent pricing maneuvers that carriers say are intended to balance inbound and outbound ocean rates are: ______justifiable ______an attempt at monopolistic pricing
- If conference carriers banded together to significantly raise their rates, I would: ______ship with independents ______negotiate service contracts ______stick with my regular carrier regardless
- Should struggling carriers be kept afloat by subsidies, or be allowed to sink—even if it means a decrease in competition? ______subsidize; we need competition ______if they can't make it, let 'em sink
- What's more important: loyalty to a carrier, or a cheaper freight rate? ______loyalty ______rate
- With regard to the trend toward jumbo containerships, I am: ______in favor of the trend ______not in favor of the trend ______don't really care
- When negotiating a rate, shippers should show concern for the financial health of the carrier. ______I agree ______I disagree

7

Here's what I say to ocean carriers who want to establish minimum rate levels to combat overcapacity

OPTIONAL:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit:)

"The combined effect of a changing business environment and the new, more sophisticated ownership, has contributed to a basic change in management philosophy within motor carrier companies. Traditionally, motor carriers' management gave primary emphasis to operational problems and cost control. While cost control is still important, problem solving today focuses more on the market than the operation. In other words, motor carriers today realize the importance of market-driven price and service strategies as a key ingredient to success."—**Michael P. Coyle, director of market planning, ARA/Smith's.**

•

"At the stste level, in 1979, 10 states raised their fuel tax. Of these raises, eight were increases of one cent each and two were increases of two cents. In 1983, 27 states raised their fuel tax, with some of the raises for five and six cents. In 1984 Louisiana showed it knew how to go for the gusto. It doubled its fuel tax from eight to sixteen cents at one shot."—**Thomas A. Callaghan, Jr., executive director, Alliance for Simple, Equitable and Rational Truck Taxation.**

the areas of safety and environment. Let transportation be subject to the general antitrust laws."—**Larry Olsen, senior traffic analyst, J.C. Penney Co., New York.**

"While deregulation has provided carriers and shippers with excellent opportunities for improving the efficiency and cost of freight movement, the small shippers must be assured of an infrastructure that will protect them from high cost and inadequate service."—**Glen E. Schneider, transport manager, Robinson's of Florida, St. Petersburg, Fla.**

"We need national registration of trucks. Let's get away from 50 individual dynasties, ruled by local politicians with little regard for the economy of the nation."—**Unsigned.**

"Full carrier liability for loss and damage must be retained or restored. Shippers should have a guarantee of full liability unless they choose an option."—**James H. Putman, claims supervisor, Abbott Laboratories, North Chicago, Ill.**

"If corrective legislation isn't passed soon, we will find ourselves with the problems that started regulation in the Thirties—a few large carriers catering to a few large shippers and the rest getting whatever is left."—**Marshall Gordan, controller, Pave-Mark Corp., Atlanta.**

"Let's try a two-year moratorium on lobbying for any new legislation or similar efforts. Let's really give the free marketplace a reasonable try."—**R.A. Christman, director of customer service and distribution, Mobay Chemical Corporation, Pittsburgh.**

A MESSAGE TO YOUR CONGRESSMAN

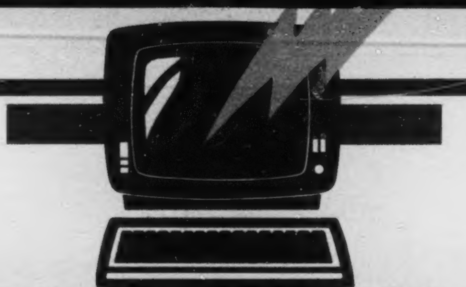
The deregulation movement is complete	17%
More work needs to be done	77%
The areas most badly in need of attention are:	
sunsetting the ICC	58%
highway and fuel taxation	56%
the Staggers Act	39%
antitrust and merger issues	36%
The areas Washington should leave alone are:	
the Staggers Act	33%
sunsetting the ICC	19%
antitrust and merger issues	19%
highway and fuel taxation	16%
Planning to be involved in shipper lobby groups	33%
Not planning involvement in shippers groups	25%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089



MIXED EMOTIONS ABOUT MICROS

A study finds more warehousers operating without computer power than with it. And the future isn't exactly charged with electricity.

The Distribution & Warehousing column in our January issue presented a glimpse at a recent study of microcomputer use in warehouse operations ("Priming the Computer Pump," p. 76). The study was conducted by two professors at Shippensburg (Pa.) University and an executive vice president of the Distribution Centers, Inc. warehousing chain. Here are the results of the study in detail:

Despite advances in microcomputer technology, the adaption of microcomputers to warehousing applications has been less extensive than many would expect. This article reports on the findings of a survey involving 162 warehousers, 70 of whom are currently using microcomputers, and 92 of whom are not.

Specifically, this article addresses the following questions:

- What are the most common applications among respondents that currently use micros?
- How satisfied with micros are current warehouse users?
- What are the potential applications as seen by those respondents that are not currently using microcomputers in warehousing?
- Why are warehousing non-users not currently using micros?
- To what extent is microcomputer usage likely to increase in warehousing applications?
- What role are microcomputers likely to play in warehousing?

A questionnaire was administered to Warehousing Education and Research Council (WERC) members at local WERC Council meetings in several cities. The questionnaire was also presented to members of the National American Wholesale Grocers' Association (NAWGA) at various NAWGA workshops.

ABOUT THE AUTHORS
Gary R. Armstrong is assistant professor of business information systems at Shippensburg University. William G. Sheehan is executive vice president of Distribution Centers, Inc., Westerville, Oh. Michael A. McGinnis is professor of marketing and transportation at Shippensburg University.

Ninety-six usable questionnaires were obtained from WERC members of which 44 (45.4 percent) were from current users of microcomputers and 52 (53.6 percent) were from non-users at the time of the survey. The NAWGA group accounted for 26 (38.8 percent) users of microcomputers and 40 (59.7 percent) non-users. The combined groups represented 70 users and 92 non-users of micros.

A list of 11 warehousing-related activities were presented to those individuals currently using microcomputers to determine those areas most commonly performed on microcomputers. Chart 1 shows that performance, reporting, budgeting, and labor-hour reporting were the most popular functions now being computerized. Those applications found to be least adaptable to the microcomputer were: order sequencing/scheduling, maintenance management, workshop planning/scheduling, and order entry processing.

Chart 2 indicates that current users are most satisfied with what they are getting for their investment, and least satisfied with software performance. Hardware performance, ease of use, and system expandability appeared to be adequate in meeting the current users' needs. Although generally satisfied with software performance, only about half of the respondents (54.7 percent) considered software performance to be "good" or "excellent."

Those Who Don't

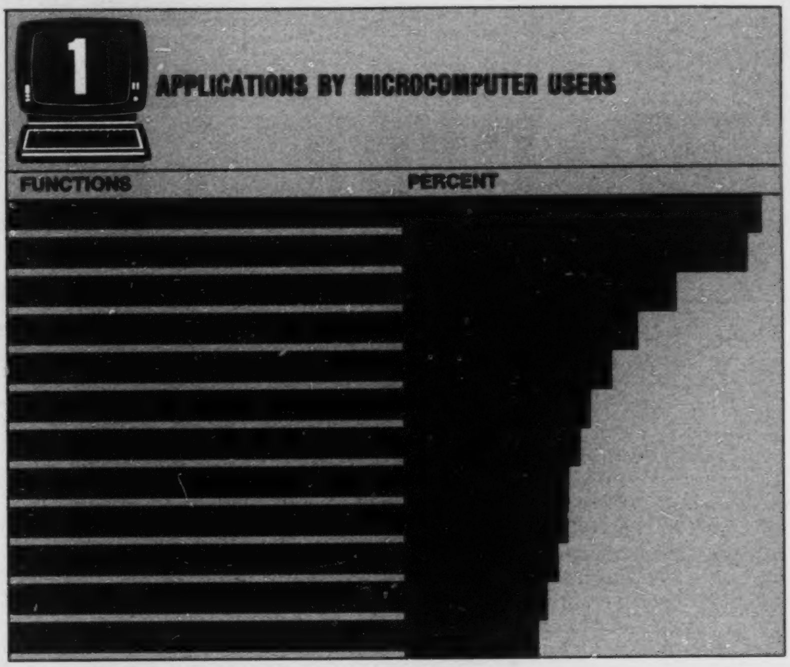
Warehousing respondents who were not currently using a microcomputer were asked to evaluate the same list and indicate those warehousing activities which they expected to perform on a microcomputer in the future.

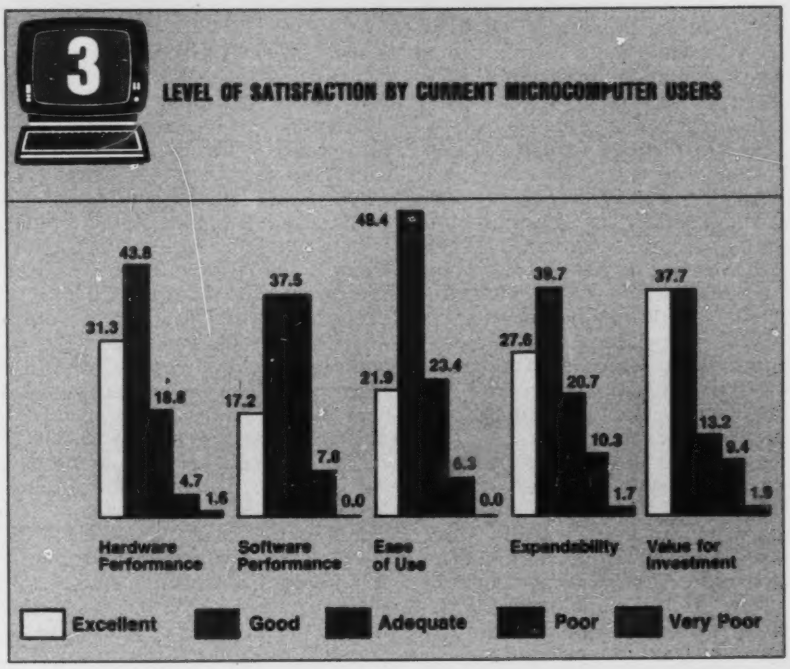
Chart 3 indicates that labor-hour reporting, performance reporting, and inventory control were found to have the greatest expected usage. Those activities expected to be least applied to the microcomputer were order entry processing, order sequencing/scheduling, and office automation. Non-users of microcomputers were asked to identify their reasons for not using the microcomputer. Chart 4 shows that the lack of specific need by non-users received the greatest response. The capability and cost of personal computers appear to have little bearing on micro non-use.

Three reasons may account for microcomputer non-use. First, some non-users may be using manual systems to satisfy their data processing needs. Second, other microcomputer non-users may be using the mainframe computer and have no need to move

continued

into microcomputers at this time. Third, there may be a lack of knowledge as to what warehousing software is available.


1 APPLICATIONS BY MICROCOMPUTER USERS


3 LEVEL OF SATISFACTION BY CURRENT MICROCOMPUTER USERS

Surveying the Future

The acceptance and integration of microcomputers in warehousing might best be measured by the degree of which users and non-users project future utilization.

Non-users were asked about their plans for using microcomputers in the future. While 75 percent of the non-users indicated they were anticipating using microcomputers for warehousing activities sometime in the future, almost half (43 percent) said they had plans to use them within the year. Only 10.6 percent of the non-users lacked any plans for future use of microcomputers.

All respondents were asked to identify the microcomputer implementation trends within their company as well as with the warehousing industry in general. The respondents indicated greater anticipated industry utilization of microcomputers within six months (84.8 percent) compared with their in-house use (69.5 percent). Respondents also indicated a greater planned usage within the warehousing industry in general (78.7 percent) compared with their own in-house applications (69.5 percent) over a year's period.

This finding suggests that the adaptation of microcomputers in warehousing will occur at a slower rate than generally expected.

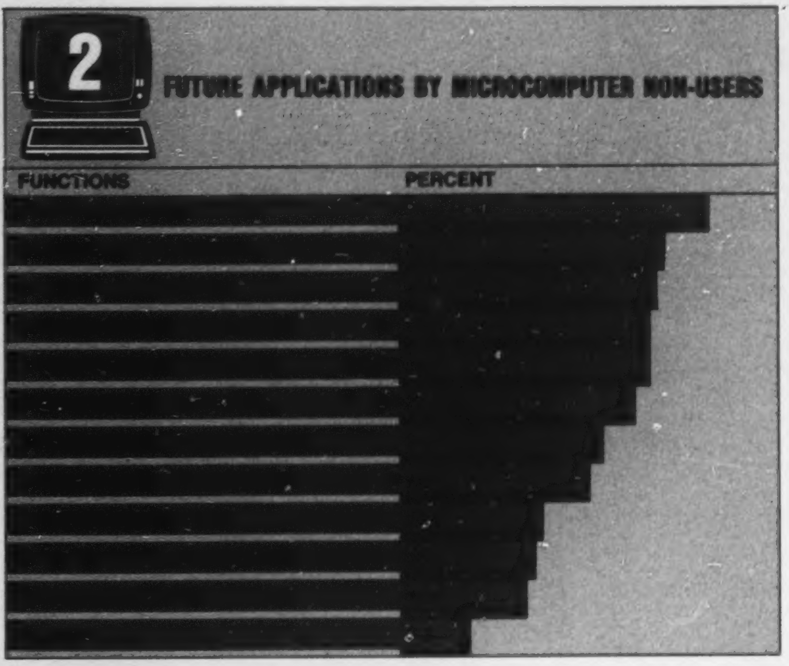
The rate of microcomputer implementation in one's organization was viewed as significantly higher by users (91.2 percent) than by non-users (69.2 percent) within the six-month category, as well as within a year's time (95.2 percent vs. 76.8 percent). This finding suggests that the microcomputer usage gap between current users and current non-users will continue to widen.

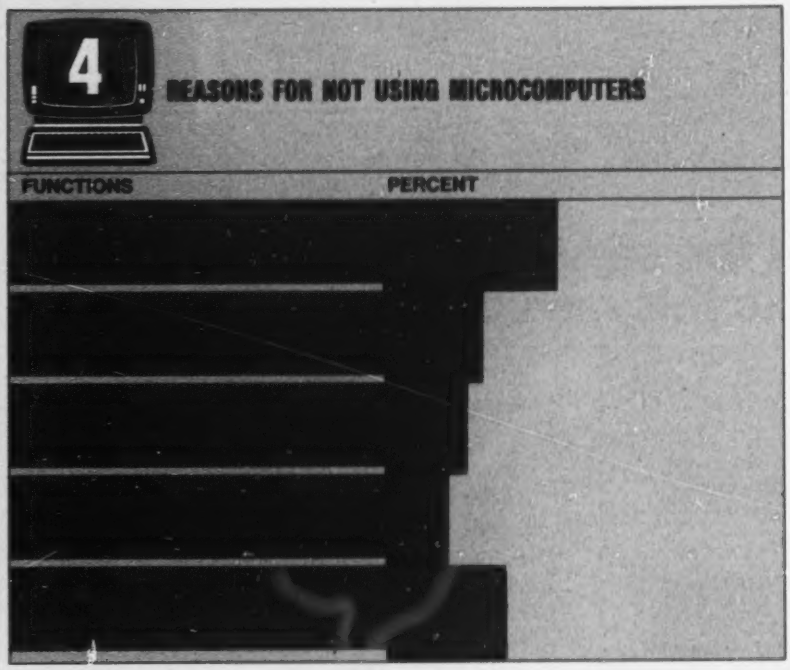
What Makes Users Tick

The analysis of the data seems to support four issues affecting the use of microcomputers in warehousing. They are:

- the amount of data processing that is performed by mainframe computers at the organization's central site;
- the extent that data gathering, analysis, and control is best performed at the individual workstation level;
- the extent that data is needed by multiple departments; and
- the level of microcomputer usage at the present time.

Firms that are currently using mainframe computers for much of their data/information-processing needs will probably be slower to adopt microcomputers (or expand the applications of existing microcomputers). In particular, order-entry processing, order se-





quencing/scheduling, maintenance management, and standard data processing are examples of applications that may lend themselves to mainframe computer processing. Warehousing operations that emphasize centralization of these applications will have less incentive to use (or increase their usage) of micros.

Microcomputers are most useful in applications where data gathering, analysis, and control is best performed at the workstation level. Labor-hour reporting, performance reporting, and inventory control are warehousing activities that lend themselves to workstation management.

A third issue affecting microcomputer usage is the extent that data is used by multiple departments. This is suggested by the limited differences that appeared between WERC and NAWGA respondents to this study. In addition to having a somewhat greater usage of microcomputers, the WERC respondents were more likely to be using micros for inventory control, location tracking, and order entry processing.

NAWGA respondents, on the other hand, were using microcomputers somewhat less, and were more likely to use them for performance reporting, budgeting, and labor-hour reporting.

These findings suggest that the WERC respondents work for firms that are more diversified with warehousing operations that are less integrated; therefore, they may be more likely to be dealing with lower-demand goods, and their warehousing may be performed in small cooperations or at decentralized locations.

The NAWGA respondents may see less potential in microcomputers due to a greater degree of centralization and mainframe usage, because of their high-volume, standardized, product lines.

The fourth issue that affects microcomputer usage in warehousing is the extent of current microcomputer usage. As discussed earlier, 43 percent of the non-users had plans to use microcomputers within one year. This finding suggests that over half (57 percent) of the current non-users do not have immediate plans to use microcomputers in warehousing. This finding suggests the future microcomputer growth in warehousing may be slower than generally expected.

The use or non-use of micros does not seem to be a function of equipment or software availability, or of a respondent's awareness of appropriate software. But an important issue does seem to be the user's ability or willingness to perform applications on a microcomputer. Non-users may have yet to identify those applications which may best be performed at the local workstation level. ★

C2150-1

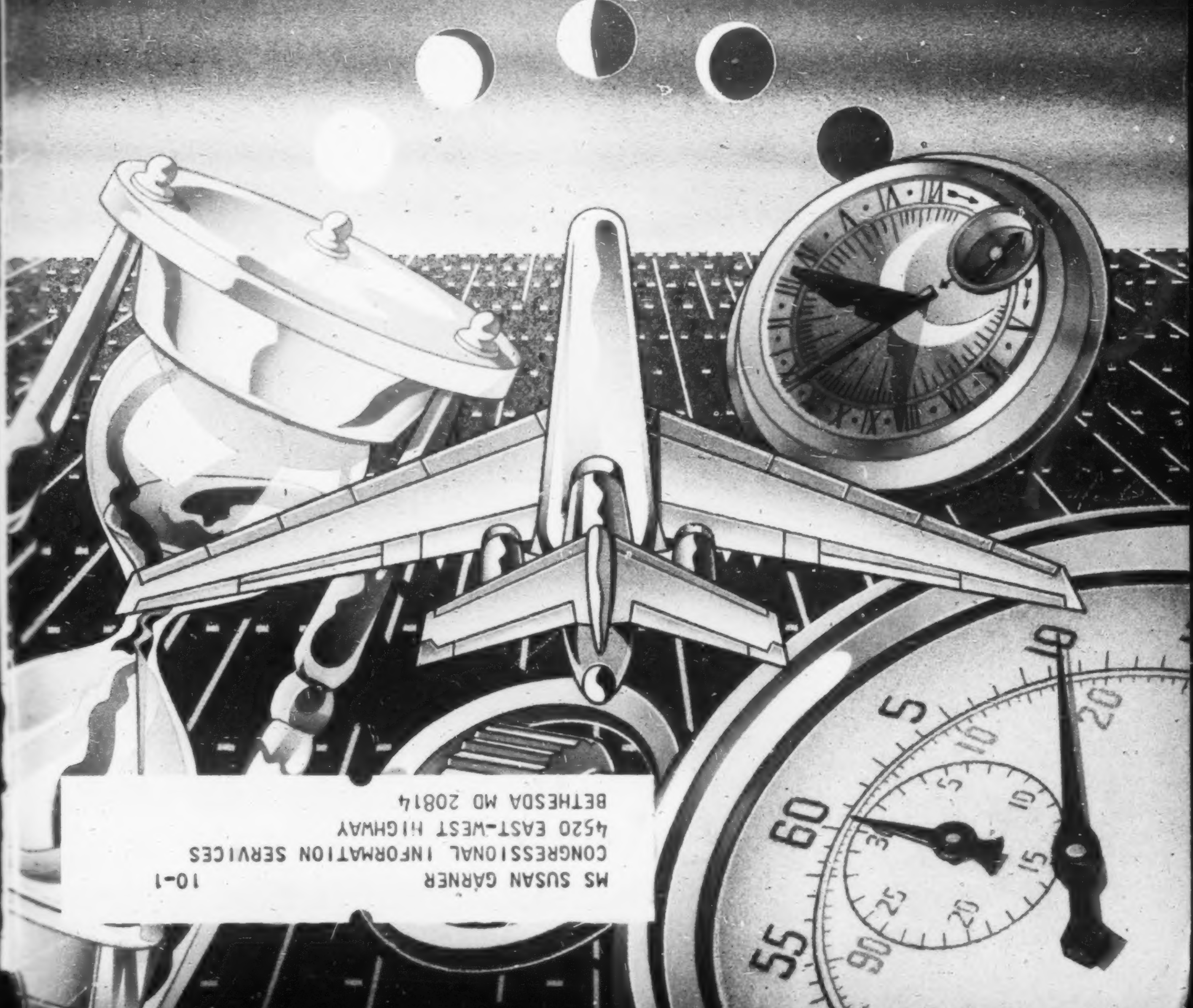
Chilton's
MAY 1985

DISTRIBUTION

FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

TIME TO SORT OUT YOUR AIR FREIGHT OPTIONS

Consolidation Draws A Crowd - Exclusive Carrier Financial Ratings



MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

VOL. 84, NO. 5

Chilton's
DISTRIBUTION

MAY 1985

ESTABLISHED 1901

COVER STORY

10 TIME TO SORT OUT YOUR AIR FREIGHT OPTIONS
Without a well-conceived game plan and a playbook to follow, shippers could end up paying more than they have to for services they might not need.

23 DOCUMENT THE DANGER
A shipper-designed bill of lading will alert carriers to exercise proper caution—and assess the correct charges—when handling hazardous materials.

34 DISTRIBUTION'S CARRIER PORTFOLIO
Our exclusive financial report gives shippers a new way to take stock of the carriers most likely to succeed.

37 THE BEST ARE BACK
The ongoing look at the class of the carriers continues. This time, we spotlight the air carriers.

39 THE GREAT CLAIMS DEBATE
The experts have it out in a roundtable discussion of the liability issues having a direct impact on transportation costs. (First of a series.)

50 EVERYBODY OUT OF THE POOL?
With formidable new entries in the package delivery field, continued LTL discounting, and mounting just-in-time fever, it's time to take a new look at consolidation techniques.

64 MORE INTERNATIONAL STRATEGIES
From Holland come three glimpses of battle plans that have held up under the heavy fire of international logistics.

COLUMNS

4 EDITORIAL By Joseph V. Barks
No way to treat a railroad

78 INTERNATIONAL By E. J. Muller
WTC unleashes its 'monster'

84 LAW By Colin Barrett
A once-tough ICC prohibition melts away

89 ANSWERS & AUDITS
Praise and disparagement over 'Contracts'

98 SMALL SHIPMENTS By Denis Davis
UPS's feet are still firmly on the ground

101 RAIL By Frank E. Shaffer
Conrail sale portends Kansas City connection

105 SHIPPER/CARRIER By John Betz
An old invention is performing some new tricks

107 TRUCKING By Kurt Hoffman
Van lines go for more goods

109 HAZARDOUS MATERIALS By Bob Jordan
Why, and how, you oughta audit

110 DISTRIBUTION & WAREHOUSING By Denis Davis
Timely questions

111 WASHINGTON By Stan Chapman
Phantom rates—another freight bill goblin

DEPARTMENTS

4 EDITORIAL STAFF

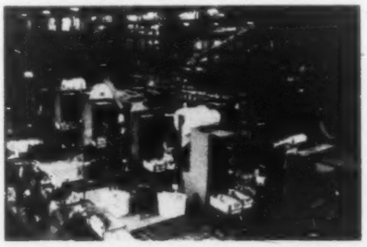
116 GUIDE TO PUBLIC WAREHOUSES

124 CLASSIFIEDS

127 ADVERTISERS INDEX

128 LAST PICKUP

NEXT MONTH



DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. © CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 2105, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25¢.)

DIALOGUE

Our recent software directory ("Software Masterpieces for Distribution," February, p. 11) gave vendors a chance to show you what they had to offer in the way of transportation-related computer systems. Afterward, it seemed only fair to give readers a chance to tell the vendors what was on their minds. What they seemed to be saying was: "Keep up the good work, but don't forget that shippers' needs are many and varied. Software that satisfies only one or two of those needs, or is only applicable some of the time, is not of much use."

To achieve this flexibility, though, users don't necessarily want the programming made more sophisticated, or too cumbersome to run on minis and micros. What they are asking for is simplification, so that they can purchase basic systems and do the needed tailoring themselves. And users can't afford to purchase hardware to match a program; they want software that will perform on computers they're already using.

"For management of the inbound freight costs for a distribution center, we must both pay the carrier and charge individual departments off of the same document. We must also develop cost/tonnage/movement data to improve decision making. This is not available for micros at a reasonable cost."—**Glen E. Schneider, traffic manager, Robinson's of Florida, St. Petersburg, Fla.**

"Vendors need to be more aware of the end uses and special programs needed to fit our operations."—**Nathaniel Glickman, president, Conejo Courier and Cartage, Newbury Park, Calif.**

"I prefer to have programs written in Basic, that are user flexible."—**F. Cordero, general manager, ADS, Inc., Flushing, N.Y.**

"Vendors need to keep in mind that we need flexibility. I run shipping for two divisions of a small electronics firm, each with different needs. I need to satisfy both without overloading my shipping clerk."—**M. James Grillo, traffic manager, Aerospace Avionics, Inc., Bohemia, N.Y.**

"Improve the training manuals. We use third-party training manuals for Symphony and dBase III because the vendors' efforts are so poor, too complicated."—**Dan Bolger, director of purchasing and distribution, Anchor Hocking, Lancaster, Oh.**

"I need flexibility and compatibility with our present systems in order to meet our needs."—**John Klosterman, International Harvester, Springfield, Oh.**

"We need software that can adequately assist our people in consolidating our truckload and rail trailer shipments, by weight, cube and destination."

QUESTION OF THE MONTH

Along with growing debate over the relative merits and demerits of deregulation, there has been growing talk in the trucking industry about highway safety. Even the most pessimistic shippers, with regard to deregulation, are being forced to admit to at least some good coming out of this deregulatory decade. But has it come at the cost of lower safety standards?

Have the freedoms that have opened opportunity to private carriers in other areas of operation included the freedom to cut corners on what should be routine safety procedures? Or do the new rules of the game make accidents more probable even for the most safety-conscious? Do common carriers have a significantly better or worse safety record than private fleets? Are the recently-imposed size and weight limits a factor?

And when accidents do occur involving a private fleet, is it because fleet managers aren't paying as much attention to safety as they should, or because they, too, are being victimized by the proliferation of counterfeit, unsafe parts that seems to be so widespread?

These are all questions that are being asked ever more frequently. Fill out the card below to let us know what you think the answers are.

DIALOGUE

- Has the safety record of private fleets been adversly affected by deregulation?
______yes; ______no; ______not sure
- Rank the importance of the following according to their contribution to highway accidents (1=greatest importance): ______inadequate safety legislation
______inadequate enforcement of standards;
______lack of compliance by private fleet operators;
______driver error; ______factors beyond human control (weather, etc.)
- Have increased vehicle size and weight limitations had an adverse affect on highway safety?
______yes; ______no; ______not sure
- How many highway accidents do you think can be attributed to the failure of inferior, counterfeit replacement parts? ______almost none; ______some; ______many
- Does your department offer a safety compliance program for drivers and/or mechanics?
______yes; ______no; ______not sure

This is what I think about safety on the nation's highways since deregulation.

OPTIONAL

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of *DISTRIBUTION* Editors while covering the industry meeting and seminar circuit.)

"As the Department of Justice concluded, absent the limited divestitures of Conrail and Norfolk Southern property, 'the proposed sale of Conrail violates the standards of the Clayton Act and the Interstate Commerce Act.' Despite this, the DOT asks Congress to exempt the transaction from every municipal, state and federal law, including the antitrust laws, and to immunize it and its future implementation from judicial review permanently." **—Bruce B. Wilson, vice president, Conrail, before the Senate Committee on the Judiciary.**

•

"Our whole tradition of free enterprise now requires that Conrail be placed in private hands. But before that transfer is consummated, there are many questions to be answered. Is now the best time to make the transfer, and are there other and better alternatives? Frankly, to date, many of us have been excluded from the process which has led to DOT's recommendation to sell Conrail to the Norfolk Southern." **—Hays T. Watkins, CEO, CSX Corp., before the Senate Committee on Commerce, Science, and Transportation.**

nation." **—Robert D. Quig, administrative manager, Fritz Co., Inc., San Francisco.**

"I need a system to monitor trailer location and status." **—William J. Willis, distribution manager, HG Toys, Inc., Long Beach, N.Y.**

"We could use a good logistics modeling system that would handle lane analyses, carrier performance, and through-put times on a worldwide basis. A system should be able to provide 'what-if' analyses, a database for all of our moves, and serve as a link between us and our carriers." **—J. Novac, corporate distribution manager, Intel Corp., Hillsboro, Ore.**

"There can never be too much to choose from. The more software that's made available, the easier it will be for shippers to find a system that's just what they're looking for." **—Unsigned.**

EVALUATING THE VENDORS' OUTPUT

Most information on software comes from:	
trade publications	38%
user recommendations	38%
on-site demonstrations	33%
vendor literature	14%
Vendor selection depends primarily on:	
hardware compatibility	52%
programming flexibility	38%
price of systems	29%
There are too many rating/routing systems and not enough claims handling, backhaul, etc.	47%
disagree	19%
Software comparable to that offered by vendors can be developed in-house	47%
disagree	38%
Biggest reason for relying on vendors rather than developing in-house software is:	
manpower limitations	47%
cost of development and maintenance	38%
lack of computer expertise	29%
There should be more software tailored to:	
minicomputers	38%
microcomputers	29%
mainframe computers	24%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

8

SECOND QUARTER

DISTRIBUTION's CARRIER PORTFOLIO

Our exclusive financial report gives shippers a new way to take stock of the carriers most likely to succeed.

The information and statistics contained herein have been obtained from sources believed to be reliable, but are not guaranteed to be accurate, all-inclusive, or complete. This is not to be construed as an offer or the solicitation of an offer to buy or sell the securities mentioned herein. This information is subject to change without notice.

No one questions the importance of keeping tabs on the financial fortunes of the carriers shippers depend on for the movement of their freight. Deregulation has not only increased the risk of service disruptions due to financial failings, it has also created greater rate flexibility, which has a direct tie-in with how well—or poorly—a carrier's doing.

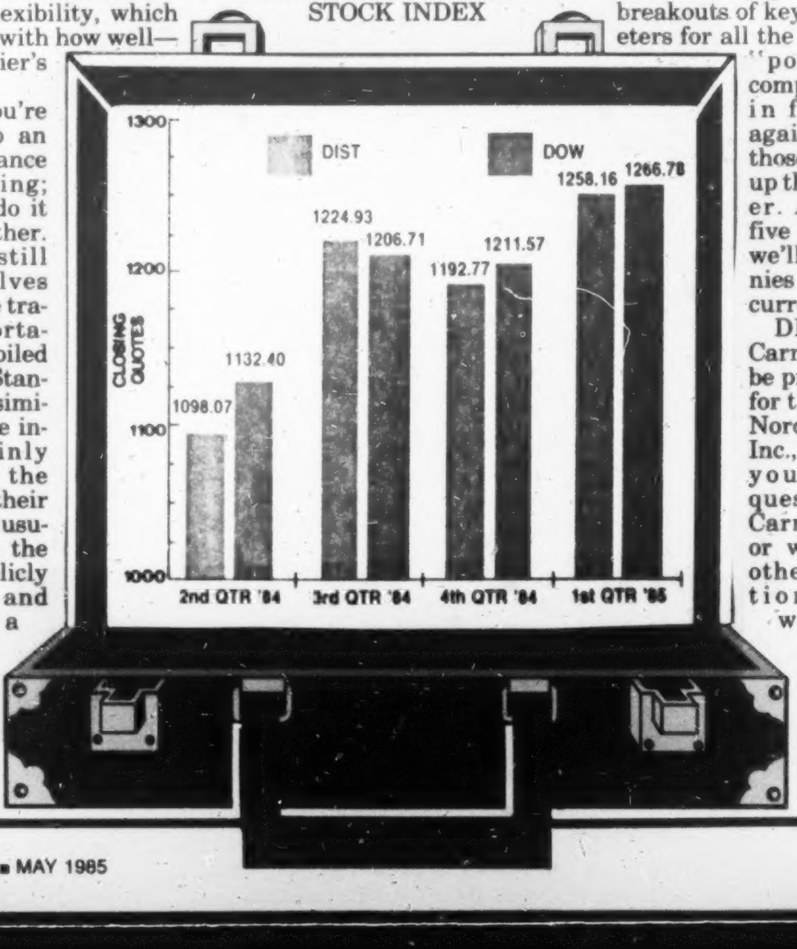
But knowing you're supposed to keep an eye on carrier balance sheets is one thing; knowing how to do it best is quite another. Many shippers still content themselves with watching the traditional transportation indices compiled by Dow Jones, Standard & Poor's, or similar services. These indices are certainly useful, but even the best ones have their drawbacks. They usually include only the largest of the publicly traded carriers, and they often have a heavy motor carrier or railroad orientation.

Not so with the DISTRIBUTION Carrier Portfolio, though. It includes our exclusive Carrier Stock Index, which will take into account the stock prices of 39 publicly traded carriers representing the major modes of transportation. By comparing our Carrier Stock Index with the Dow Jones Industrials Index, which gauges the performance of the overall economy, shippers can get a more representative picture of how transportation companies are faring.

We'll also give you individual breakouts of key financial barometers for all the companies in our "portfolio." We'll compare performance in five key areas against the numbers those companies rang up three months earlier. And within our five modal categories, we'll rank the companies according to their current profit margin.

DISTRIBUTION's Carrier Portfolio will be prepared quarterly for this publication by Nordby International Inc., Boulder, Colo. If you have further questions about the Carrier Stock Index, or would like to see other carriers mentioned, please write to DISTRIBUTION's Carrier Portfolio, c/o DISTRIBUTION Magazine, Chilton Co., Radnor, Pa. 19089.

DISTRIBUTION's CARRIER STOCK INDEX



SECOND QUARTER

	Companies	Period Ending:	Current Ratio*	Long Term Debt/Equity	Net Income (millions)	Profit Margin (x100)	Return On Equity
AIRLINES	Continental	Jan	0.00	100.00	–218.43	2.00	NA
		April	0.00	100.00	29.16	2.00	NA
	Delta	Jan	0.65	39.01	175.57	4.00	16.7
		April	0.67	36.00	175.57	4.00	17.7
	Eastern	Jan	0.88	95.31	–183.70	0.00	NA
		April	0.88	95.31	–37.31	0.00	NA
	Northwest Airlines	Jan	0.84	10.14	50.17	2.00	5.9
		April	0.79	10.07	86.90	3.00	9.7
	Pan American	Jan	0.95	80.06	–59.13	0.00	NA
		April	0.95	80.06	–206.83	0.00	NA
	Piedmont Aviation	Jan	1.08	65.26	25.54	2.00	9.1
		April	1.08	54.97	58.18	4.00	17.3
	Republic Airlines	Jan	0.96	97.78	–111.02	0.00	NA
		April	0.96	97.89	13.71	0.00	NA
	Transamerica	Jan	0.00	65.47	175.83	3.00	8.1
		April	0.00	66.29	171.57	3.00	4.1
	United Airlines	Jan	0.74	43.05	142.08	2.00	15.9
		April	0.73	37.57	260.90	3.00	14.7
	USAir Group	Jan	1.40	38.83	80.61	5.00	13.1
		April	1.68	34.00	121.63	7.00	16.5
	Western Airlines	Jan	0.61	88.97	96.99	0.00	NA
		April	0.61	89.63	–29.20	0.00	NA
CONTAINER LESSORS	Flexi-Van	Jan	1.17	59.59	–6.08	0.00	2.8
		April	1.17	59.59	21.43	12.00	0.9
	Gelco	Jan	0.00	98.10	13.09	1.00	6.3
		April	0.00	98.03	13.09	1.00	5.5
	Xtra, Inc.	Jan	1.51	62.03	19.35	10.00	10.0
		April	2.22	63.05	19.35	10.00	13.7
COMMON CARRIERS	Butler Int'l	Jan	1.51	21.27	5.11	1.00	7.5
		April	1.51	27.02	5.21	1.00	NA
	Carolina Freight Corp	Jan	1.02	39.82	11.57	3.00	17.3
		April	1.10	37.95	1.10	2.00	16.8
	Consolidated Freightways	Jan	1.42	10.30	65.46	4.00	13.5
		April	1.46	10.51	74.45	4.00	13.5
	I U International	Jan	1.45	49.73	44.94	2.00	12.0
		April	1.45	49.73	7.90	2.00	NA
	Leaseway Transport	Jan	0.79	53.02	37.26	2.00	12.8
		April	0.79	53.02	30.48	2.00	14.0
	Overnight Transportation	Jan	2.34	0.95	28.51	8.00	18.4
		April	2.34	0.95	33.94	8.00	18.7
	Roadway Services	Jan	2.03	0.00	99.22	7.00	17.3
		April	2.00	0.00	100.01	6.0	17.3
	Ryder System	Jan	1.05	62.51	101.12	4.00	15.6
		April	1.05	64.61	135.92	5.00	15.3
	Transcon, Inc	Jan	1.69	45.11	2.28	0.00	7.8
		April	1.69	45.11	5.37	1.00	NA
	Yellow Freight System	Jan	0.78	14.52	49.19	4.00	15.1
		April	0.78	14.52	44.10	3.00	15.8
RAILROADS	Burlington Northern	Jan	0.99	40.38	413.27	9.00	14.6
		April	0.99	37.86	578.95	6.00	12.5
	Canadian Pacific	Jan	1.26	100.00	143.59	1.00	8.4
		April	1.26	100.00	143.59	1.00	8.5
	CSX Corp	Jan	1.14	33.37	271.58	4.00	9.5
		April	1.12	32.02	464.98	5.00	9.5
	Kansas City Southern	Jan	1.07	28.41	41.84	10.00	11.7
		April	1.07	28.41	49.08	9.00	10.7
	Norfolk Southern Corp	Jan	2.14	16.63	356.45	11.00	8.5
		April	2.14	16.63	482.21	13.00	10.8
	Santa Fe Southern Pac	Jan	1.56	21.15	333.36	5.00	8.5
		April	1.47	22.43	490.80	7.00	8.4
	Union Pacific	Jan	1.19	33.25	296.88	3.00	11.7
		April	1.05	31.43	494.08	6.00	10.7
AIR CARRIERS AND FORWARDERS	Airborne Freight	Jan	1.39	19.63	8.93	2.00	14.1
		April	1.33	27.43	10.83	2.00	14.1
	Air Express Int'l	Jan	1.14	64.70	–3.40	0.00	NA
		April	1.14	60.61	0.01	0.00	NA
	Emery Air Freight	Jan	1.38	27.89	24.99	3.00	19.0
		April	1.66	31.60	31.89	3.00	19.0
	Federal Express	Jan	1.33	42.19	115.4	8.00	16.1
		April	1.34	45.06	115.4	8.00	16.0
	Profit Freight Systems	Jan	1.43	5.87	2.82	2.00	29.8
		April	1.39	5.69	2.82	2.00	NA
	Purolator	Jan	0.93	18.66	23.13	3.00	12.9
		April	0.93	18.66	15.52	1.00	7.2
	Tiger International	Jan	3.34	94.23	–184.82	0.00	NA
		April	3.34	94.23	–88.93	0.00	NA
	Transway International	Jan	2.08	27.00	14.72	1.00	12.4
		April	2.08	27.00	23.27	2.00	12.2

*Current ratio equals current assest/current liability

71.185
C2150-1

Chilton's
JUNE 1985

DISTRIBUTION

FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

TRANSPORTATION AND INVENTORY MANAGEMENT BRIDGING THE GAP

FREIGHT BILLS AND BANKRUPTCIES • MOTOR CARRIER FINANCIAL ANALYSIS

S

MS SUSAN GARNER 10-1
CONGRESSIONAL INFORMATION SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

VOL. 84, NO. 6

Chilton's
DISTRIBUTION

JUNE 1985

ESTABLISHED 1901

COVER STORY

10 TRANSPORTATION AND INVENTORY MANAGEMENT: BRIDGING THE GAP
In the drive to make stock sensibility a company-wide doctrine, distribution managers can practice a profitable brand of shuttle diplomacy

FEATURES

20 CASEBOOK
There are any number of tools designed to help you do the job of managing inventory faster, better, easier. They range from the ultra-sophisticated to the surprisingly simple

28 OF BILLS, BANKRUPTCIES AND BALANCE DUES
The best way to avoid an onslaught of undercharge claims from bankrupt carriers is early detection of the distress signals. Here are the tools shippers can use

38 THE GREAT CLAIMS DEBATE
In which the experts tackle the question: Is there a difference between giving freight to a carrier and a suit to a cleaner?

51 SOME BIG NUMBERS GET BELITTLED
Chronic ailments that continue to afflict trucking's lower echelon overshadow impressive figures posted by its elite

60 EXEMPTIONS ARE NOW THE RULE
The look of the railroads hasn't changed much with the years, but underneath, new rules governing liability have touched the very soul of this transportation mode

68 WAREHOUSING: BUSINESS ON A BUDGET
Effective use of the warehouse budget in cost-control efforts is essential. Some tips from a newly released publication can help

COLUMNS

4 EDITORIAL By Joseph V. Barks
Hard to figure

7 DIALOGUE
Conrail at the crossroad

78 AIR By Stan Chapman
A son of the East competes on Western terms

82 BULK By James Martin
A bulk movement toward intermodalism

88 COMPUTER By Bruce Heydt
Putting computers in their proper place

92 CLAIMS By John Betz
Will claims be a thing of the past?

96 MARITIME By E. J. Muller
Slot chartering: For better, or worse?

102 INBOUND By Denis Davis
Why make it an internal struggle?

104 INTERMODAL By Kurt C. Hoffman
Ocean carriers find a new way to stack up.

106 MANAGEMENT By Matt Gallagher
Supporting your customers ("Theory C")

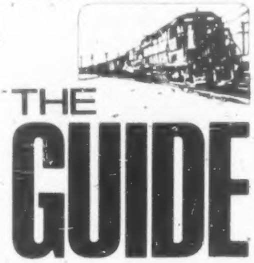
108 PRIVATE CARRIAGE By Colin Barrett
Why private carriage doesn't always work

110 LAW REVIEW By Jean Strickland
Decisions may lead shippers out of limbo

DEPARTMENTS

41 CARRIER MARKETING BALLOT
46 FORECAST
112 LITERATURE
114 GUIDE TO PUBLIC WAREHOUSES
121 CLASSIFIEDS
123 ADVERTISERS INDEX
124 LAST PICKUP

NEXT MONTH



THE GUIDE

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. © CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $25 per year. Canadian, $30. Foreign $50. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 210, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25¢.)

DIALOGUE

Even before many of the responses to our questions concerning the proposed sale of Conrail to the Norfolk Southern were all in, we started getting calls asking for the results. Here they are, and they indicate that the proposal is generally distavored by shippers, although not by a wide margin. The predominant reason is the fear of increased rates and poorer service. But for the many readers who disapprove of the sale, but do not expect such definable adverse results, the idea seems to prevail that any sale other than a public stock offering just isn't fair, whatever the merits of the buyer.

"Congress should approve the sale ASAP, and let the Norfolk Southern get going on the streamline."**—Louis A. Paulson, distribution manager, Sundor Brands, Inc., Darien, Conn.**

"Congress should approve. The NS is an experienced, profitable carrier that can further enhance Conrail as a competitive force and prevent the predicted downturn of its profits."**—Edward L. Mattes, sales manager, Jaypack International Brokerage, South Plainfield, N.J.**

"The proposed sale is a great move because it would improve service to customers, provide lower transportation cost, and keep the line profitable."**—Richard L. Hyland, Indian Industries, Inc., Evansville, Ind.**

"Sell Conrail to an independent who will leave the Northeast with a competitive transportation network."**—Unsigned.**

"A public offering which would maintain competition is in the interest of coal producers and users. The NS plan will help only the NS and shippers on NS. Split Conrail between the Norfolk Southern and CSX."**—Richard D. Jones, transportation and distribution manager, Diamond Shamrock Coal Sales Co., Lexington, Ky.**

"Congress should approve the acquisition. The balance sheets speak for themselves. The Norfolk Southern Corp. knows its business and takes it seriously. A financially sound railroad will benefit all."**—Robert E. Lundberg, corporate traffic manager, Hammond Lead Products, Inc., Hammond, Ind.**

"Congress should block the proposed Norfolk Southern sale and allow the employees to purchase Conrail. They are the ones who really know what improvements and changes should be made in order to serve us better and protect their future."**—K. Austin, traffic manager, Hungerford Terry, Clayton, N.J.**

"If anyone can get Conrail to support itself, NS can."**—A. L. Goodman III, purchasing agent, Goodman Enterprises, Starkville, Miss.**

continued

QUESTION OF THE MONTH

The trade press and industry associations have always been a source of new management ideas, and vehicles for analysts or consultants with new theories of management practices and suggestions on how to better accomplish the specific goals facing transportation decision-makers.

Lately, the popular press has begun to lend its voice to that of these traditional sources of management guidance. The book "In Search of Excellence" and its successor, "A Passion for Excellence," have challenged the management practices of most companies.

Are the challenges made by these books valid? Do the conclusions they arrive at have significance to transportation industry managements? Or do such theories miss the mark, having little practical application in the real world?

If you've read either of these books, or any others cast in the same mold, tell us what you think of their message to management. Let us know if you've incorporated any of their ideas into your management philosophy. If you haven't read them, tell us why not. Use the Dialogue card below to register your response to the new theories of management set forth in the books mentioned above.

DIALOGUE

- I ______ have ______ have not read either of the two "In Search of Excellence" books.
- If you have not read either of the books, do you plan to read one or both in the future? ______ Yes ______ No
- I ______ agree ______ disagree with the basic conclusions of these books.
- I ______ have ______ have not changed the way I manage my job since reading this material.
- I ______ agree ______ disagree that most management theories are over-complicated.
- I ______ do ______ don't plan to spend more time supporting my customers this year.
- Most transportation companies ______ are ______ are not customer oriented.

What do shippers and carriers need to do differently to support their customers and innovate?

OPTIONAL

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

7

DIALOGUE continued

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of *DISTRIBUTION* Editors while covering the industry meeting and seminar circuit.)

"In the last six years, railroad income only averaged $900 million annually. Does CURE (Consumers for United Rail Equity) seriously expect you to believe that a proper profit margin for the industry is zero?"—**William H. Dempsey, president, Association of American Railroads.**

•

"The export market has been particularly critical of railroad transportation rates. It's difficult to understand how anyone can blame railroads for the export market's plight, when it is very clear that the actual culprits are the mine-mouth cost of coal, the international money market, and the over-sup-ply and lower price of oil."**—John T. Collinson, chairman, Chessie System Railroads and Seaboard System Railroad.**

•

"Local movers and warehousemen are perplexed and behind the times. They are schizophrenic, with one personality acting out the role of long-distance hauler, and the other psyche miming the characteristics of entrepeneurs and independent businessmen."**—Dr. T. Peter Ruane, president, National Moving and Storage Assn.**

"Conrail should be returned to the private sector as is. A merger with the Norfolk Southern would create another Penn Central fiasco, on a larger scale."**—T. J. Ratcliffe, traffic manager, Roadmaster Corp., Olney, Ill.**

"Whether or not the sale to NS will cause difficulties remains to be seen, and could always be debated. Our concern is over the efficiency of the DOT bidding process and the return on taxpayers' money."**—David H. Gast, supervisor of transportation, SCM Corp., Baltimore.**

"Approve the sale, but require more access and reciprocal switching. Reinstate and protect joint rates and routes."**—K. H. Ivey, traffic manager, Card T Refinery, Richmond, Va.**

"Congress should support the public offering of Conrail stock, and retain the Conrail management team. We're breaking up 'Ma Bell' and building a rail monopoly!"**—Unsigned.**

"Congress should look down the road to a possible merger of Conrail/NS and the Santa Fe if the Conrail/NS merger is approved. NS presently owns 2 percent of Santa Fe's Stock and has an NS member on the Santa Fe Board of Directors."**—Dan Antell, traffic manager, Rheem Manufacturing A/C Division, Fort Smith, Ark.**

"I favor a public offering. The present Conrail management is excellent and should be kept intact. Taxpayers deserve a change to invest in 'their' railroad. Norfolk Southern Corp. is 'stealing' this from the public at the DOT's price."**—Unsigned.**

CONRAIL AT THE CROSSROAD

Disapprove of the proposed sale to Norfolk Southern	55%
Approve of the proposed sale	45%
Rail service would worsen after the proposed sale	46%
service would improve	30%
service would remain about the same	24%
Freight rates would increase after the proposed sale	46%
rates would remain about the same	33%
rates would decrease	16%
The sale would reduce competition and carrier responsiveness	53%
disagree	45%
The proposed sale would lead to new service opportunities	46%
disagree	49%
Would consider diversion of freight to other modes if the sale is approved	44%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO. 39 WAYNE, PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

8

THIRD QUARTER

FORECAST

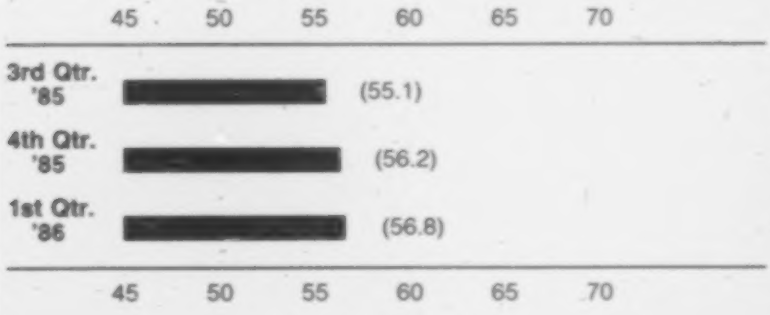
By Richard Lancioni, Ph.D. and Myron Kyj

GENERAL ECONOMIC INDICATORS

	3rd QTR. FORECAST	4th QTR. FORECAST	1st QTR. '86 FORECAST
Real GNP (trillions)	$3.9514	$4.0126	$4.0673
Retail Car Sales (millions of units, annual rate)	10.9	10.9	10.9
Housing Starts (1000s of units, annual rate)	1,793.5	1,783.2	1,748.5
Prime Rate (%)	10.8	11.0	11.7
Personal Income (trillions)	$3.2423	$3.2990	$2.2490
Inflation Rate (%)	3.6	3.7	4.0
Unemployment Rate (%)	7.2	7.2	7.3
Net Exports (billions)	85.4	87.7	88.9
Factory Utilization (%)	81.6	81.8	81.8

The outlook for the U.S. economy for the balance of 1985 looks mixed. After a robust first quarter, the pace of growth in the ecomony should slow throughout the third quarter and pick up slightly in the latter part of the year. Real GNP should reach four trillion dollars by the end of the year and the annual inflation rate should not exceed 4.0 percent. Personal income, while rising rapidly during the first part of the year, will continue to increase moderately and reach $3.2 trillion by the end of the fourth quarter. Interest rates should remain relatively constant during the year, and rise to 11.7 percent during the latter part of the year. Unemployment should also remain constant through the year. The only cloud on the horizon is the ballooning federal deficit which will reach more than 175 billion dollars by year's end.

PURCHASING MANAGERS COMPOSITE INDEX



The composite index shows only a moderate growth in the economy through the fourth quarter of 1985 and the first quarter of 1986. Factory orders are expected to moderate as production begins to slow down. Purchasing managers still remain confident in the soundness of the economy, but some doubt still remains because of the high federal deficits and the ability of the government to finance them in the future. With interest rates expected to moderate in the third quarter, the near term looks strong for increased purchasing activity. But in the fourth quarter, the Federal Reserve must again come into the capital markets to borrow. The size of the Fed's requirements are as yet uncertain, but if they are large, interest rates could climb much higher than predicted.

THIRD QUARTER
FORECAST

DISTRIBUTION INDEX
Quarterly Shipper Forecast

	3rd QTR. FORECAST	4th QTR. FORECAST	1st Qtr. '86 FORECAST
Truck Shipments	145.7	144.0	143.2
Rail Shipments	127.3	126.9	125.4
Air Shipments	134.1	134.3	123.1
Water Shipments	118.3	118.1	117.4
Warehouse Space Utilization	136.6	135.1	133.2
Inventory Valuation	114.5	114.2	113.9

The distribution industry will experience only moderate growth in the 3rd and 4th quarters of 1985. Truck shipments will rise only moderately in the third quarter, and then decline somewhat to 144.0 by the end of the year. Rail shipments will moderate also to 126.9 throughout the 4th quarter. Air shipments will increase, but only slightly, to 134.3 by the 1st quarter of 1986. Pressure for inventory reduction during the last part of the year will continue, with inventory valuation expected to decline to 114.2 in the 4th quarter. This trend is also reflected in the decline in warehouse space utilization which is expected to drop to 133.2 during the first part of 1986.

DIESEL FUEL PRICES

	3rd QTR. FORECAST	4th QTR. FORECAST	1st QTR. '85 FORECAST
Full-Serve	131.0	133.0	133.0
Self-Serve	124.0	126.0	126.0

Source: American Trucking Associations

Energy prices should remain relatively constant during the 3rd and 4th quarters of 1985. Full-serve diesel prices should rise to $1.33 per gallon by the end of the year, and self-prices should increase to $12.6 per gallon. The dark side of the energy picture is the possible shortages that could occur if the major oil companies curtail refinery activities and begin to restructure their operations.

TRANSPORTATION TONNAGE INDEXES
(1977 = 100.0)

	3rd QTR. FORECAST	4th QTR. FORECAST	1st QTR. '85 FORECAST
Rail	92.0	94.0	94.0
Truck	163.3	163.3	163.5
Barge	(N/A)	(N/A)	(N/A)

Source: Data Resources Inc.

Freight tonnage hauled by the major modes will rise only moderately in the third and fourth quarters of 1985. Truck shipments will rise to the 163.5 level. Rail tonnage will also increase, but only slightly, to 94.0 through the 1st quarter of 1986. While figures are not available for water tonnage, it is expected to hold constant for the balance of the year.

TRANSPORTATION COST INDEXES
(1977 = 100.0)

	3rd QTR. FORECAST	4th QTR. FORECAST	1st QTR. '85 FORECAST
Rail	184.0	185.0	185.0
Truck	174.0	175.0	175.0
Barge	187.0	188.0	188.0

Source: Data Resources Inc.

The cost of moving freight in the remainder of1985 will remain constant. Rail, truck, and water costs should all continue at current levels. The only impact on transportation costs will come from the possible increases in fuel oil prices in the 4th quarter of '85. In general, distribution managers can look forward to a relatively stable period in the near term in the area of transportation costs.

SOME BIG NUMBERS GET BELITTLED

Chronic ailments that continue to afflict trucking's lower echelon overshadow some impressive figures posted by its elite.

By Kurt Hoffman, Contributing Editor

Any reasonable discussion of motor carrier financial performance must take into account the contradictory nature of the multi-employer pension plan problem, and the impact it's having on industry pricing.

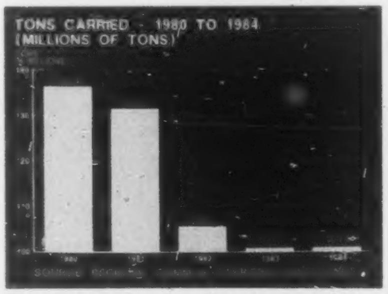
Much as the legendary Sisyphus was banished to a lifetime of futility, there now exists a group of motor carriers, estimated to number in the low hundreds, whose labor costs are so out of line, management techniques so antiquated, debt burdens so heavy, and equipment so obsolete that, short of a miracle, they don't stand a snowball's chance in hell of turning a profit in the foreseeable future. Yet onwards they trudge, week after week, month after month.

Were it not for the enormous weight of their pension plan withdrawal liability—which in most cases dwarfs their assets—many of these players would probably close their doors, cash in their chips, pay off what they could, and hope for better days in other endeavors. But as long as they must shoulder that burden, they'll continue to bow to their cash flow needs and haul what they can for what they can get. And shippers with freight that is not overly time-sensitive, valuable or fragile—freight that accounts for the bulk of these hard-luck carriers' business—will continue milking these carriers with one hand while toasting the Employee Retirement Income Security Act (ERISA) with the other.

If a legislative solution to ERISA should descend from Capitol Hill in the near future, the exit of the terminally ill could lead to significant changes in the truck transportation market. A return to cost-based pricing could provide some desperately needed stabilization to the more-marginal carriers that would remain.

Over the last few years, these carriers have had to contend with the bargain-basement and in many cases below-cost pricing offered by their terminally ill counterparts. At the same time, they've had to grapple with pricing pressures either originated bybrokers, freight forwarders, and private carriers seeking traffic balance, or generated by general industry overcapacity. Eliminating the institutional incentive that encourages the shaky carri-

continued



Truckers were hauling less and less freight until 1984, when truck tonnage started to rebound with gains in the neighborhood of five percent. This gain corresponded with growth in the GNP.

Where are the individual motor carrier statistics that usually appear with this annual feature? We couldn't get them from the ICC in time for publication, because the ICC hasn't been getting them from the carriers themselves. As of mid-May, the Commission still needed to hear from 40 of the industry's Top 100 carriers.

Until the Commission comes through, we can only offer some general, industry-wide numbers we've obtained from the Regional Common Carrier Conference of the American Trucking Assns. As soon as the ICC comes through with the individual numbers, we'll pass them on, too.

ers to continue to operate at a loss year after year would free the natural forces of the market and give this second tier of trucking companies a fighting chance.

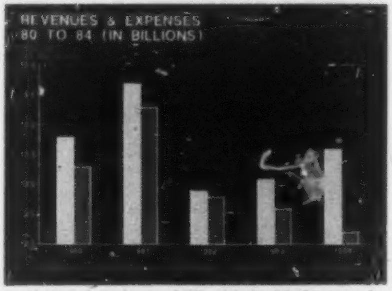
But don't hold your breath. ERISA affects many industries besides trucking. Despite several years of Congressional grappling with the issue, no light shines at the end of the tunnel. The problems are simply too complex, and the interests too diverse. And bear in mind that after having been roughed up on a number of fronts since 1981, organized labor simply won't stand for a solution that labor leaders fear will open the flood gates for a wholesale, multi-industry abandonment of pension obligations. Even a groundhog, after all, will rear up on its haunches and get quite nasty if it's cornered and threatened.

Shippers Can Wait

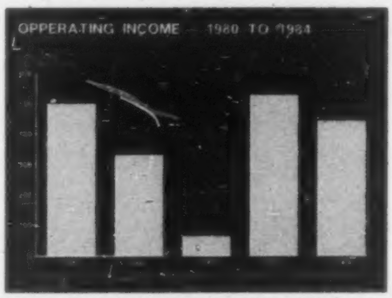
The good news for shippers, then, is that for now they remain comfortably in the driver's seat. And barring a drastic acceleration in national economic activity, they will continue to call the shots throughout 1985, much to the chagrin of the trucking industry.

For a variety of reasons not anticipated by the deregulators during construction of the Motor Carrier Act of 1980, shippers have not had to face the classic price-service tradeoffs expected in a free market or quasi-free market transportation environment. On the contrary, shippers continue to enjoy the best of both worlds; only in rare cases marked by extenuating circumstances or extreme conditions have they really had to face those kinds of decisions.

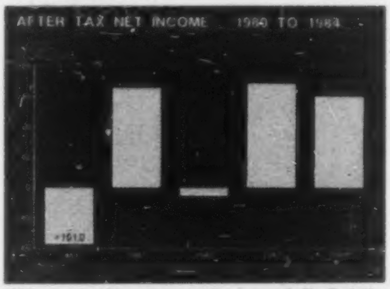
Specific 1984 financial statistics for individual motor carriers have been nearly as elusive as industry profits. Apparently, motor carrier managers have taken to heart an ICC-proposed rulemaking to eliminate reporting requirements altogether. An ICC Bureau of Accounts official reports that as of mid-May, only about 60 percent of the Top 100 carriers had filed their respective financial reports with the agency. In previous years, carrier filings and the ICC's subsequent compilation of statistics had all been completed and released by mid-April.



Motor carriers shifted into high gear in 1984, and pulled away with the largest profit margin since deregulation took place in 1980. The gain is attributed to brainstorming by management and sales.



Operating income dipped in 1984, because of a surge in costs related to permit fees, state fuel taxes and employee benefit packages. Pressure on profits also increased in other non-operating overhead areas.



Although after-tax net income fell slightly in 1984, carriers maintained investment in equipment and facilities. One popular option was TRAC leasing, which allowed carriers to capitalize on the lower interest rates and tax benefits.

(*DISTRIBUTION* will provide those individual carrier statistics in a future issue, as soon as a complete set can be procured.)

The Crunch That Never Came

The numbers that can be obtained at the present time indicate that motor carrier fortunes were a mixed bag in 1984. As a result, accurate generalizations are difficult to make. Shipper worries and carrier hopes for a capacity crunch faded as the nationwide carriers continued to expand. Yellow Freight System, for example, occasionally experienced capacity bottlenecks during the year, but fleet and network growth limited the productivity loss. This scenario was repeated in several other trucking operations.

A lot of consolidation occurred through merger and acquisition activity, as well as through bankruptcies. Dun & Bradstreet pinned industry bankruptcies at 1,401 during 1984. Trucking officials counter that an even greater number of new entrants began operations during the year.

Most major carriers—Consolidated Freightways, Roadway, Yellow Freight System, Overnite Transportation—had decent years. Others, such as Ryder/PIE Nationwide, did not.

Truckload carriers had "super years" as they enjoyed strong volumes and a shift of market share from private carriers, according to William Legg, transportation analyst with the Baltimore firm of Alex Brown & Son. The truckload carriers with company-owned equipment were in a position to capitalize on the shortage of owner-operators during 1984.

Special commodity carriers generally reflected the industries to which they were attached. Chemical haulers had a slow year; auto haulers had a good year.

Household goods carriers (see table, page 56) generally reported significant gains in tonnage, revenues and profits—good fortunes tied not only to increased relocation activity, but also to the carriers' ventures into the special products transportation business.

Surprisingly, regional carriers came in below expectations. "A major factor here was that many larger shippers continued to narrow the number of carriers they use," Legg says. "There is a common wisdom that long-haul freight and short-haul freight don't mix well, and that long-haul freight carriers are simply not competitive for short-haul freight in terms of time sensitivity.

"What showed up last year was that a number of major shippers didn't seem to care," Legg reports. "For the convenience of having

continued

only a couple of carriers, they were willing to endure slower service on short-haul lanes. That meant a lot of the short-haul carriers didn't show as much growth as might have been expected."

Trucking activity generally reflects the nation's economic trends, and 1984 was no exception. After four years of sagging profits and depressed tonnage, 1983 marked a turnaround, with significant growth of 3.7 percent and 6.5 percent, respectively, in gross national product and industrial production. Truck tonnage and motor carrier revenues correspondingly showed gains in the neighborhood of 5 percent.

Optimism reigned in the truck-

continued

LARGE CLASS I HOUSEHOLD GOODS CARRIERS SELECTED EARNINGS DATA (000 omitted) Carrier and Year

		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME ($ millions)	NET INCOME ($ millions)	REVENUE TONS HAULED (millions)	OPERATING RATIO (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (percent)
Total All Carriers, excluding North American Van Lines	1984	1,645,181	52,611	29,127	2,837	96.8	17.07
	1983	1,360,775	34,147	23,428	2,466	97.5	16.29
Total all carriers	1984	2,048,141	68,647	56,850	3,507	96.6	20.27
	1983	1,703,967	44,006	43,378	3,090	97.4	15.78
INDIVIDUAL CARRIER DATA							
North American Van Lines	1984	402,960	16,036	27,723	670	96.0	25.24
	1983	343,192	9,859	19,950	624	97.1	15.22
Allied Van Lines	1984	353,877	7,310	7,761	581	97.9	37.17
	1983	300,295	3,711	4,343	547	98.8	26.19
United Van Lines	1984	328,398	(276)	984	598	100.1	4.79
	1983	262,174	993	1,706	451	99.6	9.32
Aero-Mayflower Transit	1984	261,935	15,273	9,416	472	94.2	33.86
	1983	213,575	9,086	6,058	401	95.7	27.86
Bekins Van Lines	1984	203,340	6,471	4,540	342	96.8	17.05
	1983	165,813	4,362	2,717	319	97.4	11.43
Atlas Van Lines	1984	162,363	6,757	1,454	280	95.8	3.80
	1983	133,169	5,252	3,572	251	96.1	12.57
Global Van Lines	1984	80,727	2,673	1,327	188	96.7	13.82
	1983	73,589	1,695	740	156	97.7	7.79
Burnham Van Services	1984	79,799	11,405	4,857	110	85.7	110.79
	1983	55,003	5,551	2,463	90	89.9	55.90
Wheaton Van Lines	1984	43,178	2,949	2,130	70	93.2	17.58
	1983	35,666	2,058	1,512	63	94.2	13.84
Four Winds Van Lines	1984	37,732	66	106	47	99.8	14.87
	1983	30,336	(121)	(119)	32	100.4	0
American Red Ball Transit	1984	22,985	249	(269)	68	98.4	0
	1983	23,041	86	(177)	75	99.6	0
Neptune World Wide Moving	1984	18,963	(1263)	(2942)	22	106.7	0
	1983	20,296	711	35	28	96.5	0.80
Lyon Van Lines	1984	18,913	789	(405)	0	95.8	0
	1983	19,148	782	20	0	95.9	1.32
Paul Arpin Van Lines	1984	17,764	405	572	32	97.7	27.70
	1983	13,156	(66)	635	26	100.5	41.10
National Van Lines	1984	15,207	(197)	(404)	27	101.3	0
	1983	15,514	47	(77)	27	99.7	0

ing industry as the first two quarters of 1984 came on like gangbusters. GNP was growing during that period at annual rates of first 10.1 and then 7.1 percent, and industrial production was up nearly 14 percent from the same period a year earlier.

Carrier profits failed to keep pace, however, and hopes for what initially appeared to be the equivalent of the second coming for the trucking industry faded along with the economy in the latter half of the year. The major culprit suppressing motor carrier profits was expense growth—interest expense, state fuel tax and permit fee expense, employee benefit expense, insurance premium expense, and a host of other costs associated with operating in a highly competitive environment.

Ron Roth, director of the Statistical Analysis Department of the American Trucking Assns., reports that while motor carriers regulated by the Interstate Commerce Commission reported tonnage gains and revenue increases of 12.5 percent and 13.9 percent, respectively, in the first six months of 1984, expenses grew by 14.2 percent during that same period. The correlation continued in the second half.

Consequently, about a third of the ICC-regulated carriers studied by the ATA, as well as about a third of the 149 general freight carriers surveyed by the Association's Regular Common Carrier Conference, ended the year in the red.

According to Roth, there has also been extreme pressure on overhead costs. These are costs not related directly to transportation *per se*, but rather costs involved with positioning a trucking company to compete in a deregulated environment.

"These costs include: increasing management staff expertise; analyzing sales and marketing possibilities; developing and constantly adjusting tariffs; broadening and enhancing communications networks, freight tracing systems, rating systems, and other electronic applications; increased advertising expenses; consultation fees; and a whole spectrum of related adjustments," Roth reports. "In the broad context, these costs are nothing more than expenses which are incurred as individual carriers attempt to differentiate their prices and services from the rest of the pack. Each carrier feels it must do this or be left behind, so the result is a transition within the cost structure of the whole industry."

Yet none of these costs are directly assignable to either the physical movement of freight over a dock, or to the movement of a truck over the highway. "They are 'overhead' costs in the truest sense of the term—the costs of positioning the carrier to deal with the free market," Roth notes.

More Bucks for Trucks

Another major cost area in 1984 was interest expense, as carriers invested heavily in equipment and facilities. This was good news for the nation's truck manufacturers—according to the Motor Vehicle Manufacturers Assn., Class 8 truck sales rose to 136,916 units, up nearly 70 percent from 1983. Similar increases were reported by trailer manufacturers.

Activity by Overnite Transportation was typical of the industry's renewed spending. Overnite, which posted operating revenue and net income increases of 22 percent and 19 percent respectively in 1984, spent $55.2 million on additions and improvements to operating property—more than double its 1983 expenditures. Tractor and trailer purchases accounted for nearly $38 million; land and buildings, $12.4 million; shop and office equipment, and software, $4.2 million.

Capital expenditures reached an all-time high at Yellow Freight System, as management spent $159 million for fleet additions and replacements, and another $26 million for hub and terminal upgrading and expansion. Carolina Freight, meanwhile, bought 350 new 28-foot pups, converted 250 45-foot vans to 500 28-foot twins, and added 75 new 48-foot trailers and 135 tractors to its fleet. And Consolidated Freightways, reporting total traffic up 22 percent, opened 44 terminals in 21 states.

Alex Brown's Legg notes that truckload carriers invested primarily in tractors, while LTL carriers continued to expand their terminal networks as well as the size of their fleets. "The compounding factor for the larger LTL carriers was the conversion from single 45-foot trailers to twin 28s," he says. "Most of the nationwide LTL carriers will move to a ratio of 70 to 80 percent of their trailer fleet in twins."

An increasingly popular option in 1984 was TRAC leasing—terminal rental adjustment clauses. Allowed under the new leasing rules, TRAC leasing will be a likely target of any tax simplification legislation on Capitol Hill. In the meantime, Legg reports, many carriers such as ABF and Viking Freight are getting these arrangements on their books.

"TRAC leases allow carriers that do not need the tax benefits from acquisition—depreciation and investment tax credits—to trade these off to the lessor for a lower interest rate and yet still attain the increase in the residual value of the equipment they are leasing," Legg explains.

Another financing mechanism thattrucking analysts expect to see greater use of is the employee stock ownership plan (ESOP) tied to wage concessions. In 1984, Transcon Lines effectively used an ESOP to generate the capital for upgrading its equipment fleet with the addition of 1,565 new trailers and 570 remanufactured units. In addition, 746 45-foot trailers were traded in, and the company converted 283 3-axle tractors to 2-axle unit. In one year, Transcon upgraded its trailer fleet from a 50 percent ratio of twin trailers to 80 percent.

Implemented late in 1983, the Transcon ESOP allowed all full-time employees to trade an irrevocable 12 percent wage/salary reduction for shares of company stock. Nearly 90 percent of Transcon's employees pursued that option in 1984. As a result, the company realized wage and salary savings of more than $15 million last year, and it expects to reduce wage and salary expenses by $80 million over a five-year period. Look for more carriers—particularly those with high labor costs—to consider the many advantages of ESOPs. ★

Single copies of this article are available at no charge. Input 271 on Reader Service Card.

C2150-1

Chilton's

DISTRIBUTION

FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

AUGUST 1985

PRIVATE TRUCKING: TIME TO BACK OUT?

"I'm scared, if you want to be straight about it. I'm 52 years old and the fleet manager for a company that started up with private carriage in the '60s. But yesterday I found out they're thinking about cutting our private fleet operation

(page 10)

CG014GARNER-S---00
JUL86
SUSAN GARNER
CONGRESSIONAL INF SERVIC DIR
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

ARE THE RAILROADS REALLY RIDING SO HIGH

TAX REFORM LOOMS LARGE FOR LEASING

COLLECTION AGENCIES KNOCK DOWN SHIPPERS' DOORS

VOL. 84, NO. 8

Chilton's
DISTRIBUTION

AUGUST 1985

ESTABLISHED 1901

COVER STORY

10 PRIVATE TRUCKING: TIME TO BACK OUT?
Some people can't live with it; others can't live without it. And the regulatory and economic changes of the '80s have made the dividing line between the two factions a topic for debate

FEATURES

24 CASEBOOK: COMPUTERS
Five examples of how computerization can be painlessly implemented and profitably managed.

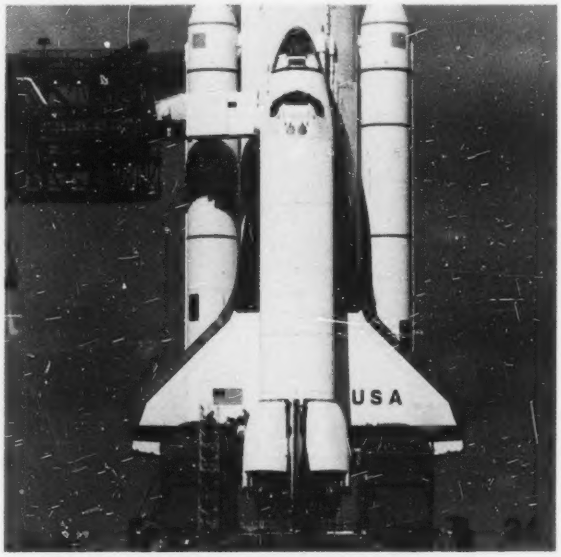
38 AUTUMN LEAVES
The rundown on this fall's industry meetings, along with our advice on which ones you should take off for, and which ones you should take leave of.

40 TERMS OF ESTRANGEMENT
The advent of deregulation in the transportation industry hasn't only changed transportation services and their costs, but also the way shippers should be paying for them.

70 ONCE A FROG, ALWAYS A FROG?
After four active years under the Staggers Act, are the railroads still sporting the same warts?

80 MORE FOR LESSORS?
Things are going so well for the leasing industry right now, it's not even fazed by the threat of Reagan tax reforms. Lessors see business, and rates, continuing to increase

90 A DIFFERENCE OF OPINION
Women are making their presence known in distribution—but are they getting recognized for their achievements?



COLUMNS

4 EDITORIAL By Joseph V. Barks
Competition should benefit shippers

7 DIALOGUE
Ocean shipper soapbox

97 SMALL SHIPMENTS By Denis Davis
Regional courier grabs global link

99 SHIPPER/CARRIER By John Betz
Career crossroads for some shippers

100 RAIL By Frank E. Shaffer
Amtrak express is back on track

105 INTERNATIONAL By Andrew Tausz
Deregulation down under

106 LAW By Colin Barrett
Rates, rates, who's got the rates?

108 TRUCKING By Kurt Hoffman
Even J. R. never had it this good

110 EQUIPMENT & TECHNOLOGY By James Martin
26,000 gallons of neapolitan bulk

112 DISTRIBUTION & WAREHOUSING By Denis Davis
A general marches to EDI's beat

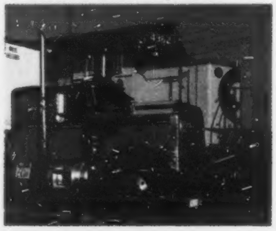
113 HAZARDOUS MATERIALS By Bob Jordon
Basic training with bill of lading

114 WASHINGTON By Stan Chapman
NIT League before the looking glass

DEPARTMENTS

88 CARRIER PORTFOLIO
116 LITERATURE
118 GUIDE TO PUBLIC WAREHOUSES
126 CLASSIFIEDS
127 ADVERTISERS INDEX
128 LAST PICKUP

NEXT MONTH
carrier marketing awards



DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. © CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $40 per year. Canadian, $50. Foreign $70. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 2105, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25c per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25c.)

DIALOGUE

Since our Dialogue card concerning the formation of the Trans-Pacific Westbound Rate Agreement appeared in the April issue, that controversial ratemaking pact has gone through many changes. An FMC decision on its legality is still pending, but shipper backlash to its proposed minimum rate levels has stalled, at least temporarily, the implementation of $1,000 minimums on 40-foot boxes to the Far East. Some export commodities have been exempted from the minimums because of shipper pressure, but when service contracts threatened to undermine the conference's stability, the TRWA outlawed them. No maritime issue of recent years has stirred as much bad blood between carriers and shippers as the TWRA. The responses we received to our Dialogue question are evidence of that:

"I consider this just another attempt to create a monopolistic environment, along with the formation of superconferences, which appear to be putting a gun to shippers' heads to force up rates. It's an unhealthy atmosphere."**—Jack Deckert, general traffic manager, W.A. Taylor & Co., Miami.**

"Assuming we're operating in a free-enterprise, commercial environment, why should the better-managed carriers be forced, in effect, to help the competition by having minimum rate levels? Let free enterprise prevail."**—R. D. Schwartz, manager, export order & shipping, Armstrong World Industries, Lancaster, Pa.**

"Basically, ocean carriers are trying to maneuver the market from a shippers' to a carriers' market. Success still hinges on services rendered."**—John Unger, traffic manager, Fuji Photo Film USA, Carlstadt, N.J.**

"If I can get the same deal for my business I would be happy to discuss it."**—J. H. Cassidy, president, John Cassidy & Sons, Inc., Miami.**

"Good luck—they'll never get our business."**—Unsigned.**

"Evaluate freight rates by volume of cargo worked by a shipper/customer, and establish tariff protection to maintain that business."**—R. A. Quadros, director, traffic, freight & claims, Pier 1 Imports, Fort Worth, Tex.**

"TWRA pricing, with no input from shippers, shows a total disregard of our needs and even less to our mentality."**—Walter Pickett, traffic manager, Southwest Hide Co., Boise, Id.**

"Minimum rate levels won't work as long as there are independents in the market. Also, the individual lines are not truly united and will break

continued

QUESTION OF THE MONTH:

HOW MUCH ARE YOU WORTH?

Salary surveys and other studies of career patterns seem to be in vogue right now. *DISTRIBUTION* has published the Cadillac of these studies—the Ohio State survey—for some time now (this November will make it 14 years). But recently, other publications and organizations have gotten into the act, and the resulting surveys have produced some wide discrepancies in the figures that have been assembled. Because the "average salaries" arrived at by such studies have ranged all over the lot, no one can be sure whether they're making way too much, or way too little.

In anticipation of our upcoming publication of the Ohio State report, we'd like to sample salaries once again. This time around, rather than telling us what your own salary is, we'd like to know what you *think* you're worth. How valid are the studies? Which ones, if any, are reliable? Are the "average" figures you've seen for distribution personnel too high or too low, based on what you know of your own worth and that of people you deal with? Where do you think the averages for various job titles *should* fall?

Use the card below to let us know what you're worth and whether you're getting what you deserve.

DIALOGUE

August 1985

- I (use/do not use) industry salary studies when determining the compensation levels for the distribution personnel I manage.
- I (use/do not use) industry salary studies when negotiating my own salary.
- In general, I think the "avarage" salaries I've seen published for the distribution industry have been ________too high; ________too low; ________about right.
- I think my own salary is: ________above average; ________below average; ________average in comparison with others in the industry who perform the same functions I do.
- Based on my personal experience and my contact with others in the industry, here are my estimates of the current average salaries for the following industry job titles:

Rate analyst________________
Warehouse manager________________
Traffic manager________________
Private fleet manager________________
Inventory control/materials mgr.________________
Distribution manager________________
VP-distribution/materials/logistics________________

Here's what I would like to see in a distribution salary survey:

____
____
____
____
____

OPTIONAL:

NAME (print) TITLE
COMPANY PHONE
ADDRESS
CITY STATE ZIP

DIALOGUE continued

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of *DISTRIBUTION* Editors while covering the industry meeting and seminar circuit:)

"There is a misconception that railroads are some kind of public utility, not entitled to pursue a profit in the free marketplace. There is an impression that railroads get all kinds of government subsidies—while at the same time that railroads are 19th-century monoliths puffing and profiteering about the countryside. Railroads have been frozen in a kind of perception time warp, like a faded calendar picture of an old steam train. This image must be changed."**—Walter Drexel, president, Burlington Northern Railroad, to the National Association of Rail Shippers Advisory Boards, in San Francisco.**

•

"When you think of all the Japanese cars sold in California and when you realize that not a single one of them has entered this country in an American bottom, it's just indicative of poor 'national management.' We're fighting now to assure that this will never occur in the airline industry."**—Wayne Hoffman, chairman, Tiger International and Flying Tigers Line, at the Los Angeles Air Cargo Conference '85.**

ranks due to financial pressures or opportunistic greed. There is little honor in the ocean carrier industry."**—Paul Weber, physical distribution manager, AGFA Gevaert, Inc., Teterboro, N.J.**

"Better to ask 'Are conferences becoming overly powerful and hard-headed?' or 'Should the conference system be thoroughly investigated under antitrust?' "**—R. C. Tuttle, corporate consultant, Sandvik, Inc., Fairlawn, N.J.**

"While essentially justifiable, the TWRA has been very badly handled."**—Unsigned.**

"They should not be allowed to establish minimum rate levels because no two lines operate the same or have the same operating costs, ship registry, crew, etc."**—Frederick Steigmann, president, Int'l Sea Air Cargo Operators, Mountainside, N.J.**

"Competition is the cornerstone of every industry. With the high value of the dollar we need lower rates to compete."**—Ed Loftus, distribution/transportation manager, Ampex Corp., Opelika, Ala.**

"A small revenue to cover or reduce costs is much better than no revenue at all on a box that has to be returned overseas anyway. All the rest is wishful thinking on their part. They may understand marine shipping, but they don't understand exports. It is costly and disruptive for exporters to have to contend with a 'take it or leave it' attitude, especially from a 'superconference.' " **C. Emmanuel, distribution manager, Ogilvie Mills, Ltd., Montreal, Canada.**

OCEAN SHIPPERS' SOAPBOX

TWRA minimum rate levels are justifiable	22%
They're an attempt at monopolistic pricing	78%
If conference lines raise their rates I'll:	
Ship with independents	79%
Negotiate service contracts	36%
Stick with my carrier regardless	3%
Struggling U.S. carriers should be subsidized	29%
If they can't make it, let them sink	71%
Loyalty to a carrier is more important than a rate	21%
A lower rate is more important	79%
Favor the trend toward jumbo containerships	53%
Don't favor	9%
Shippers should be concerned for the financial health of a carrier	54%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

RAIL STRATEGIES

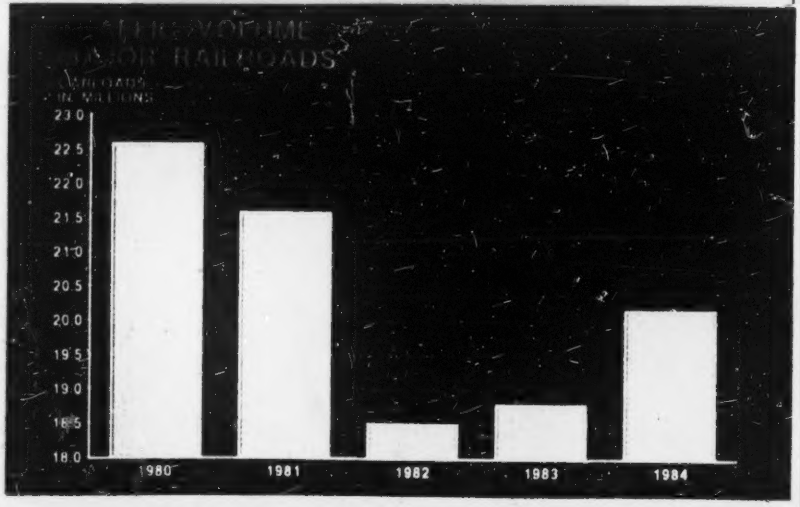
ONCE A FROG, ALWAYS A FROG ?

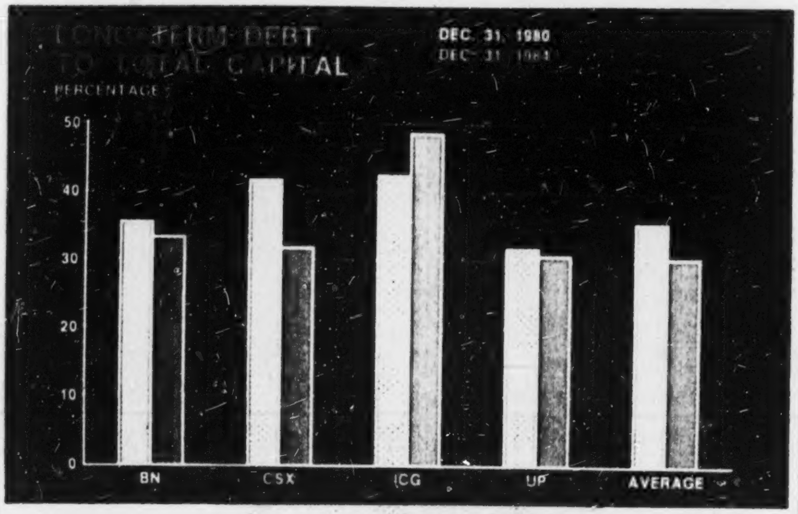
After four active years under the Staggers Act, are the railroads still sporting the same warts?

By Peter T. Bower

Editors' Note: The Interstate Commerce Commission report on railroad earnings which usually appears in our August issue was not complete at presstime. As soon as the ICC numbers become available, we'll pass them on to you. In the meantime, we present another analysis of the railroads' collective fortunes—or, in this author's estimation, their continued lack of fortune.

After a year in which the traditionally conservative Norfolk Southern simultaneously acquired a national van line, committed a devoloping a fiber-optic communications network, and appears to have outbid a variety of investors in the pursuit of Conrail, observers can be forgiven for assuming that the railroad business has become a home for dynamic venture capitalists. Cries for regulation from shippers claiming to be gouged by rail rate hikes strengthen the suspicion





ABOUT THE AUTHOR

Peter T. Bower is Vice President in the Washington office of Management Analysis Center, Inc. (MAC). MAC is an international general management consulting firm which specializes in helping companies manage strategic change. Much of its practice is in industries such as transportation and telecommunications, where deregulation, and new forms of competition are focing managers to rethink their strategy. A MAC report on the use of information technology in the freight transportation marketplace was featured in the September 1983 issue of DISTRIBUTION.

that railroads have been magically changed from frogs into money-machines.

Reality is more prosaic, however. In reflecting upon this apparent transformation of the railroads business, 1980 is a good place to start. Back then, the ICC had made it clear that it favored mergers as a way to maintain a national railroad system. The Burlington Northern (BN) had just acquired the St. Louis-San Francisco railroad, and the ICC had approved the merger of the Chessie System and Seaboard Coastline into the CSX.

Every railroad annual report talked of mergers. IC Industries announced it would "merge or sell" the Illinois Central Gulf (ICG) as soon as it could get advantageous terms; the Union Pacific (UP) vaunted the advantages of the single-system service it would obtain from its proposed acquisition of the Missouri Pacific and Western Pacific; the Santa Fe (SF) mourned its then-cancelled merger talks with the Southern Pacific (SP); and the Norfolk & Western and Southern railroads looked forward to their proposed merger. Mergers were going to make profitable railroads, everyone agreed.

The regulatory environment promised other freedoms, too. The Staggers Act of 1980 offered new pricing flexibility which both the Southern Pacific and the Norfolk and Western annual reports viewed as a means for the railroads to regain a share of the national freight transportation market. While not as explicit, the deregulation trend in transportation generally gave cause for hope that railroad acquisitions of trucking companies and water carriers would, in the future, meet with regulatory approval. The trade press talked of multimodal mega-carriers.

Finally, there were expectations of substantial diversification. The Southern Pacific emphasized "the importance of (SP's) diversification program," while the BN was to form a "holding company which will allow us to issue securities for non-transportation acquisitions."

In the table on page 74, the figures for 1980 show what some of the railroad holding companies looked like on the verge of the opportunities described above. Using earnings before interest and tax to calculate ROA (to avoid comparisons based on financial leverage and short-term tax advantages), the average railroad was producing just over a 10 percent return on assets.

1980 was a good year for the railroads. Originated tonnage was at an all-time high for Western and Southern railroads, thanks to strong coal demand and record grain exports. Industry net operating income was a record $1.4 billion. Traffic then fell off sharply in the next three years (see chart, page 70). Financial performance comparisons were almost impossible to make until 1984, which saw traffic levels similar to 1980's.

STIRRINGS SINCE STAGGERS

Railroad holding company acquisitions, diversifications, and divestitures, 1980-1984.

1980

BN—acquisiton of St. Louis-San Francisco RR approved

CSX—Chessie and Seaboard merger

DRG—sold amusement park business

1981

CSX—started CMX (intermodal trucking)

DRG—majority of trucking operations sold

NS—Norfolk & Western and Soutern merged; sold Delaware & Hudson; acquired 17.6 percent of Piedmont Airlines

1982

BN—sold BN Air; acquired eastern hardwood manufacturing capacity

CSX—sold Florida publishing company and cable TV company; sold fiber-optics right-of-way to MCI

1983

BN—acquired White Trucking; aquired El Paso (oil and gas pipeline)

CSX—acquired American Commercial Barge Lines; acquired Texas Gas (pipeline); entered into joint venture with Southern New England Telephone communications network

NS—acquired 5 percent of SF (now 2.5 percent of SFSP)

SFSP—Southern Pacific and Santa Fe merged; sold Southern Pacific Communications (Sprint); sold Ticor (title insurance)

UP—wrote off Corpus Christi refinery; sold Mississippi transmission

1984

BN—sold trucking operations; sold forestry capacity

CSX—arranged sale of Beckett Aviation

DRG—inconclusive merger discussions with UP and SFSP; sold Computer Sharing Services; acquired by Anschutz (privately owned energy firm)

NS—acquired North American Van Lines; joint venture with SFSP fiber-optics network; $75 million investment in Southeast Bank; offer made for Conrail

SFSP—sold most trucking operations; coal mines in operation

Jockeying for Position

Notwithstanding the tough operating conditions in 1981-1983, railroads set about making changes to position their companies for the new environment.

The list on page 71 highlights some of the principal merger, acquisition, and divestiture decisions of the holding companies in the period following the Staggers Act. The active business areas have been the core rail business, other transportation, energy, and telecommunications. Some favored strategies have emerged:

- merge with or acquire other railroads to broaden geographic coverage, offer single-system service, and achieve economies of scale through the elimination of redundant facilities;
- consolidate positions in the energy business through the acquisition of gas pipelines (BN, CSX);
- restructure trucking subsidiaries to divest unionized operations and unfocused LTL business, to focus on specialized service (e.g., automobiles), and to acquire motor carriers with a regional or national franchise;
- exit from opportunistic or "accidental" business unrelated to freight transportation or natural resources, except where there are clear natural advantages, by selling data processing/communications businesses (CSX, DRG, SP) or by maximizing the value of track networks by laying optical fiber (CSX, NS, UP, SFSP).

One can easily get the impression that substantial change has taken place. But now take a look at the lines for *1984* in the table on page 74. It seems that four years of hectic activity and pricing freedom have *not* improved returns for the railroads as a whole. The BN is the only holding company which has significantly improved its position, moving from near the bottom in 1980 ROA to a strong first in 1984. All of the others are producing lower returns than in 1980, except for the CSX, which has limped up to the industry average. But CSX is still below archrival NS.

The fact is, the railroads are *not* diversifying into entirely new

continued

business areas, and they are *not* building diversified transportation companies. So what are they doing to position themselves for the future? There are two apparent areas of management focus—"tightening up the ship," and building on existing energy assets.

Tightening Up the Ship

Railroading is a high fixed-cost business. An astonishing 42 percent of railroad operating expenses are for maintenance (of equipment, way, and structures), and roughly half of the 47 percent for "transportation" goes for only slightly variable expenses such as clerical employees, dispatching, switching, etc. As a result, railroad earnings are extremely sensitive to changes in traffic volume, as was demonstrated during the recession of 1982.

In that year, a tonnage decline of 12.7 percent translated into an operating income decline of 45.5 percent, in spite of some price increases and some layoffs and retirements amounting to 13 percent of railroad employees. The cyclicality of the business keeps the pressure on management to reduce costs to minimize the impact of such swings in tonnage. Labor costs, which consume about 45 percent of each dollar of railroad income, have been a primary target.

The use of contracts to reduce the variability of the business is another favored tactic. Contracts now account for over 30 percent of the major railroads revenues—34 percent for the CSX, 40 percent for the UP, and over 50 percent of the SFSP's 1984 rail revenues. For coal traffic, the figures are much higher—52 percent of the NS coal revenues and approximately 65 percent of the BN's 1984 coal revenues came from contract movements. Obviously, the stability has a price—contract rates are lower than the regular tariffs, and some railroads are feeling pressure on their yields.

Strengthening their financial position has been another area of focus. Asset writeoffs and depreciation have reduced the book value of non-productive assets. Fresh capital has enabled growth without excessive leverage.

Several companies have issued stock, four have split stock to attract more investors (SF, SP, UP and CSX), and all have taken care to avoid increasing debt as a result of acquisitions. The SFSP and UP repurchased stock when the market softened in 1984.

The result is the healthiest balance sheets the industry has seen for some time, which implies considerable future acquisition capacity if the right investment comes along.

Some of this capital strength may be illusory, though, as one of the reasons for it is the apparent short-term withholding of investment from the railroad during the recession, by companies such as the CSX, NS, and UP. This is a traditional railroad response to reduced traffic levels, but at some point the delayed investment will have to be made. It is worth noting that there is no evidence that the capital restraint disproportionately favored non-rail business.

Building on Energy

All of the railroads have increased the amount of management attention given to asset use. Even those which are not sitting on beds of coal have commercial or industrial development opportunities in many locations, or they can follow

continued

RAILROAD HOLDING COMPANY PROFITABILITY AND BUSINESS MIX, 1980—1984

	Year	ROA EBIT/ Avg. Assets	Railroad	Barge, Truck, Air	Coal, Oil, Gas, Uranium*	Forestry	Hotels, Real Estate, Construction	Data Processing, Telecom.
ATSF	1980	11.7	68	1	19	4	8	—
	1984							
BN	1980	8.7	82	9	4	4	1	—
	1984	12.8	48	•	49	3	—	—
CSX	1980	7.5	93	•	2	•	2	•
	1984	9.6	63	5	29	—	2	•
DRG	1980	12.0	82	11	—	—	•	6
	1984							
ICG	1980	9.1	24	—	•	—	•	—
	1984	9.0	24	—	—	—	—	—
NS	1980							
	1984	10.8	99	•	•	—	•	•
N&W	1980	14.6	98	—	•	•	•	—
	1984							
SFSP	1980							
	1984	7.7	74	1	11	4	10	—
Southern	1980	11.2	99	—	•	—	•	—
	1984							
SP	1980	5.9	84	5	3	1	2	5
	1984							
UP	1980	11.5	42	—	56	—	1	—
	1984	9.5	50	—	47	—	•	—
Average	1980	10.2	75					
	1984	9.9	60					

the CSX and NS example of using their right of way for optical fiber (or other) routing.

However, the areas of greatest appeal, particularly for western railroads, has been resource extraction. Many of the resources, such as lumber, coal, soda ash, and taconite, have a double attraction. in addition to being potential money makers in their own right, they are mostly rail-captive traffic. The UP, for example, has a mineral rights interest in about half the seven million tons of soda ash produced annually in Green River, Wyo. But it ships *all* the soda ash, which acocunts for over 5 percent of the UP's rail revenues.

The railroads have been particularly aggresive in building their energy resource base, which has been the object of their biggest acquisition thrust outside the core railroad business. The BN and CSX gas pipeline acquisitions are the most visible sign of this trend, but the SFSP has also made energy and minerals a priority, while the Anschutz purchase of Rio Grande Industries (the DRG) creates yet another mixed rail-energy group.

The energy focus may prove to be a mixed blessing. Like the railroad business, mining and pipeline transportation are extremely capital-intensive. Problems caused by the absolute amount of capital required, to the extent that mining output is to be transported by the railroad, are compounded by the fact that mine development and railroad investment requirements often come at the same time, as track work and additional spurs are required to handle the increased volume. Diversification into energy has other problems, too.

The railroads are already very dependent on "energy" business. Coal accounted for 38 percent of originated tons and 22 percent of rail revenues in 1983. The dependence is much higher for some railroads—33 percent of CSX's revenues, 34 percent of Norfolk Southern's, and 41 percent of BN's 1984 revenues. While much domestic coal moves on long-term utility contracts and is thus relatively stable (though somewhat seasonal) traffic, non-contract coal, particularly for export, is very unpredictable and quite cyclical, so the railroads lost both energy and transportation revenues in the downturns.

Some railroads argue that their energy businesses are countercyclical in that energy sales (particularly gas) are strongest in the winter, when rail revenues are down. There may be some truth to this for the period around the end of the year, but February and March, the peak gas months, are normally average months for the railroad industry.

Mega-Notings?

The other gleam in the railroads' eyes—the multimodal transportation company—is unlikely to improve earnings. As currently practiced/conceived by the railroads, its biggest flaw is that shippers' interest in multimodal offerings is for a better service/cost mix than most railroads offer.

As noted above, railroading is a high fixed-coast business where profits are extremely sensitive to volume. Many railroad executives fix their eyes on volume sensitivity while ignoring service constraints. Their idea of a multimodal business is one that takes traffic off the roads and puts it onto rail, if only for part of the haul; in practice it might be in the shippers' customer service or inventory interests to take traffic *off* the rails for part of the haul.

The market-share success of TOFC traffic is a Pyrrhic victory for many railroads. Much of the volume has simply replace boxcar traffic (at a higher cost), while the portion that represents gains from the interstates is often at rate that are barely compensatory and do not provide an adequate return to the railroad.

To date, the multimodal track record is not encouraging. The old railroad-owned trucking companies were consistent money losers before they were sold off, and the deregulated trucking environment remains highly competitive. Even the Canadian railroads—whose operations were until recently used as an example of the potential of multimodal service—have had problems, with the Canadian National "consolidating" operations in 1984 to reduce significant trucking losses.

The CSX's wholly-owned and marketed TOFC operation, the CMS (Chessie Motor Express), though widely publicized as a success story, still loads less TOFC/COFC traffic than Conrail or the SFSP, and its volume growth rate in the first three quarters of 1984 was only just above the industry average and below that achieved by the SFSP, the BN, the DRG, and other Western railroads which use agents to collect TOFC/COFC traffic.

Finally, the economics of rail/ocean "landbridge" transcontinental service continue to compare unfavorably with ocean freight service.

The most successful multimodal operations have proven to be those that are service-based, with a good understanding of shipper's options and price/service tradeoffs, and that display a willingness to lose rail traffic if other modes can handle all or part of a shipment more efficiently. These arc tough requirements for railroads holding company executives to focus on when they have the option of investing in pipelines or fiber-op-tic communication systems.

Out of Rabbits?

In summary, the railroads' future is neither as boundless nor as assured as it might appear. Railroads are still closely tied to cyclical coal and grain; their energy diversification does not diversity as much as it appears to, and in fact sets up a competitor for the capital the railroad has always needed. Finally, there is little evidence that multimodal freight will represent a new growth area.

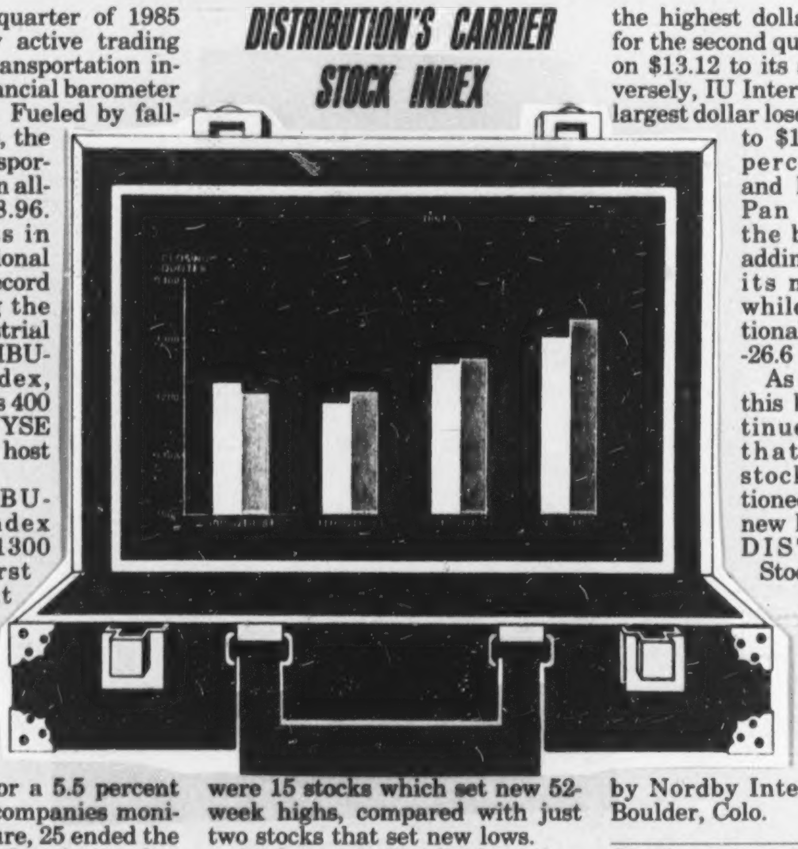
The picture is not all grey—the railroads are both leaner and financially fitter than they have been for years, and they have taken advantage of real estate and communications assets to improve their earnings. But this review raises questions as to where *future* earnings growth will come from. Four years after Staggers, having taken advantage of mergers, pricing freedom, and diversification, the financial performance of the railroads looks pretty much as it did in 1980. The difference is that now there are fewer rabbits to pull out of the hat. ★

Single copies of this article are available at no charge. Input 421 on Reader Service Card.

SECOND QUARTER

DISTRIBUTION'S CARRIER PORTFOLIO

Transportation carriers were at the head of the herd during the second quarter's bull run



The second quarter of 1985 was a very active trading session for the transportation industry, as our financial barometer clearly indicates. Fueled by falling interest rates, the Dow Jones Transportation Index hit an all-time high of 678.96. The Transports in turn led all national stock indices to record highs, including the Dow Jones Industrial Average, DISTRIBUTION Stock Index, Standard & Poor's 400 & 500 indices, NYSE Composite, and a host of others.

The DISTRIBUTION Stock Index broke into the 1300 level for the first time to close at 1303.82, up 45 points (3.6 percent). For the same period ending June 30th, the Dow Industrials climbed a hefty 70 points for a 5.5 percent jump. Of the 39 companies monitored in this feature, 25 ended the 90-day period higher in market value while 14 ended lower, with zero remaining unchanged. There were 15 stocks which set new 52-week highs, compared with just two stocks that set new lows.

As far as individual performances of companies were concerned, Burlington Northern took the highest dollar-gained honors for the second quarter, as it taked on $13.12 to its stock price. Conversely, IU International was the largest dollar loser, as it fell -$3.63 to $13.25. Under the percentage gained and lost department, Pan American was the biggest winner, adding 52.6 percent to its market value, while Tiger International decreased its by -26.6 percent.

As the second leg of this bull market continues, it is certain that the national stock indices mentioned above will set new highs, led by the DISTRIBUTION Stock Index and the Dow Transports.

This installment of Carrier Portfolio was prepared for DISTRIBUTION Magazine by Nordby International, Inc., Boulder, Colo.

Single copies of this article are available at no charge. Input 203 on Reader Service Card.

The information and statistics contained herein have been obtained from sources believed to be reliable, but are not guaranteed to be accurate, all-inclusive, or complete. This is not to be construed as an offer or the solicitation of an offer to buy or sell the securities mentioned herein. This information is subject to change without notice.

SECOND QUARTER

	Companies	Period Ending:	Current Ratio*	Long Term Debt/Equity	Net Income (millions)	Profit Margin (x100)	Return On Equity
AIRLINES	Continental	July.	1.90	100.00	29.16	3.7	N/A
		April	N/A	100.00	29.16	2.0	N/A
	Delta	July.	.65	33.57	157.57	4.7	16.7
		April	.67	36.00	175.57	4.0	17.7
	Eastern	July.	.90	100.00	–37.93	.3	N/A
		April	.88	95.31	–37.93	N/A	N/A
	Northwest Airlines	July.	.90	22.63	86.90	3.5	9.7
		April	.79	10.07	86.90	3.0	9.7
	Pan American	July.	.81	92.21	–206.83	–7.9	N/A
		April	.95	80.06	–206.83	N/A	N/A
	Piedmont Aviation	July.	.83	53.43	58.18	4.7	17.3
		April	1.08	54.97	58.18	4.0	17.3
	Republic Airlines	July.	1.00	99.16	13.71	2.4	159.3
		April	.96	97.89	13.71	N/A	N/A
	Transamerica	July.	N/A	65.78	171.57	1.9	8.1
		April	N/A	66.29	171.57	3.0	4.1
	United Airlines	July.	.75	37.05	260.90	3.4	15.9
		April	.73	37.57	260.90	3.0	14.7
	USAir Group	July.	1.40	32.66	121.63	6.8	16.5
		April	1.68	34.00	121.63	7.0	16.5
	Western Airlines	July.	.62	100.00	–29.17	.6	N/A
		April	.651	89.63	–29.20	N/A	N/A
CONTAINER LESSORS	Flexi-Van	July.	1.02	53.87	21.43	14.7	9.4
		April	1.17	59.59	21.43	12.0	9.0.
	Gelco	July.	N/A	98.04	13.09	1.4	6.3
		April	N/A	98.03	13.09	1.0	5.5
	Xtra, Inc.	July.	1.88	61.41	19.35	10.5	10.0
		April	2.22	63.05	19.35	10.0	13.7
COMMON CARRIERS	Butler Int'l	July.	1.81	15.45	.21	1.8	8.0
		April	1.51	27.02	5.21	1.0	N/A
	Carolina Freight Corp.	July.	1.12	28.20	12.10	2.5	17.3
		April	1.10	37.95	1.10	2.0	16.8
	Consolidated Freightways	July.	1.38	1.0	74.45	4.3	13.5
		April	1.46	10.51	74.45	4.0	13.5
	I U International	July.	1.44	55.08	7.90	–.4	2.3
		April	1.45	49.73	7.90	2.0	N/A
	Leaseway Transport	July.	.67	61.51	30.48	2.1	19.9
		April	.79	53.02	30.40	2.0	14.0
	Overnight Transportation	July.	2.04	.79	33.94	8.1	18.7
		April	2.34	.95	33.94	8.0	18.7
	Roadway Services	July.	1.91	0.0	100.01	6.3	17.3
		April	2.0	0.0	100.01	6.0	17.3
	Ryder System	July.	1.03	62.99	135.92	5.3	17.7
		April	1.05	64.61	135.92	5.0	15.3
	Transcon, Inc.	July.	1.67	38.58	5.37	1.5	11.9
		April	1.69	45.11	5.37	1.0	N/A
	Yellow Freight System	July.	.83	22.92	44.10	3.2	15.7
		April	.78	14.52	44.10	3.0	15.8
RAILROADS	Burlington Northern	July.	.99	37.86	578.95	6.5	14.6
		April	.99	37.86	578.95	6.0	12.5
	Canadian Pacific	July.	1.20	100.00	376.90	2.7	8.4
		April	12.6	100.00	143.59	1.0	8.5
	CSX Corp.	July.	1.12	32.95	464.98	5.6	9.5
		April	1.12	32.02	464.98	5.0	9.5
	Kansas City Southern	July.	1.36	30.23	49.08	12.2	11.7
		April	1.07	28.41	49.08	9.0	10.7
	Norfolk Southern Corp.	July.	2.04	15.45	482.21	13.7	10.8
		April	2.14	16.63	482.21	13.0	10.8
	Santa Fe Southern Pac	July.	1.41	22.05	190.80	6.8	8.5
		April	1.47	22.43	490.80	7.0	8.4
	Union Pacific	July.	1.06	32.61	494.08	6.5	11.7
		April	1.05	31.43	494.08	6.0	10.7
AIR CARRIERS AND FORWARDERS	Airborne Freight	July.	1.37	38.77	10.83	2.3	14.1
		April	1.33	27.43	10.83	2.0	14.1
	Air Express Int'l	July.	1.14	56.42	.18	–.8	3.1
		April	1.14	60.61	.01	N/A	N/A
	Emery Air Freight	July.	1.59	31.58	31.89	3.2	19.0
		April	1.66	31.60	31.89	3.0	19.0
	Federal Express	July.	1.34	45.06	115.41	3.4	16.1
		April	1.34	45.06	115.41	8.0	16.0
	Profit Freight Systems	July.	1.34	4.51	2.82	1.3	29.8
		April	1.39	5.69	2.82	2.0	N/A
	Purolator	July.	1.86	40.85	15.52	.9	8.5
		April	.93	18.66	15.52	1.0	7.2
	Tiger International	July.	9.3	100.00	–88.93	–7.5	N/A
		April	3.34	94.23	–88.93	N/A	N/A
	Transway International	July.	2.05	26.24	23.27	2.6	12.4
		April	2.08	27.0	23.27	2.0	12.2

*Current ratio equals current assest/current liability.

10/1/85
C2150-1

Chilton's
DISTRIBUTION
FOR TRAFFIC & TRANSPORTATION DECISION MAKERS
SEPTEMBER 1985

THE BEST ARE BACK!

YELLOW
2086
EMERY
HITACHI
SEA LAND

1985 CARRIER MARKETING AWARDS

NASSTRAC'S TOP SHIPPERS
REINING IN RUNAWAY LTL COSTS

STATE-BY-STATE TAX & REGS GUIDE

FREIGHT PAYMENTS, PART III
TAKING THE BILL BY THE HORNS

VOL. 84, NO. 9

Chilton's

DISTRIBUTION

SEPTEMBER 1985

ESTABLISHED 1901

COVER STORY

10 THE BEST ARE BACK!
Move over, Coke; we've made some product enhancements that has our competition on its way to becoming a classic.

FEATURES

28 TAKING THE BILL BY THE HORNS
Tired of getting gored by freight payment problems, some shippers have learned new ways to go for the jugular.

36 REINING IN RUNAWAY LTL COSTS
Aw, shucks, says the transportation masterminds at National Starch & Chemical Corp.—anybody can save a million on small shipments.

50 HOW GREAT ARE THE 48?
Our third annual report on the "State of the State" presents the good, the not so good, and the downright expensive facts about doing business in the contiguous 48.

59 THE HIT (AND MISS) PARADE
Numbers for individual motor carriers show that, by and large, trucklines did a better job increasing volume in 1984. But earnings and operating ratios remain a challenge.

BONDMASTER
INDUSTRIAL GRADE ADHESIVE
FAST CURING EPOXY
4500" PLUS
A
B
M777

COLUMNS

4 EDITORIAL By Joseph V. Barks
Don't forget the ham and cheese

7 DIALOGUE
Is deregulation hazardous to your health?

64 LAW REVIEW By Colin Barrett
'Buckeye' case could be a 'ghost-rate' buster

66 COMPUTERS By Cathy Coffman
Liberate! Go Paperless!

68 AIR By Stan Chapman
Hands across the sea—hopefully

73 CLAIMS By John Betz
Freedom of fear—from confusing claims rules

76 MARITIME By E.J. Muller
It's another 'superconference'

80 INBOUND By E.J. Muller
Getting accustomed to customs problems

84 INTERMODAL By Kurt Hoffman
'Inland Ports': Shipper shortcut?

88 INTERNATIONAL By Roger Schreffler
Marshall Plan restores Japan

95 BULK By James Martin
Going the way of the Brontosaurus

96 MANAGEMENT By Matt Gallagher
The 'acid rain' of management

98 PRIVATE CARRIAGE By Bruce Heydt
A worm's-eye view of trucking legislation

DEPARTMENTS

24 FORECAST

99 GUIDE TO PUBLIC WAREHOUSES

107 CLASSIFIEDS

111 ADVERTISERS INDEX

112 LAST PICKUP

NEXT MONTH

International strategies

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. © CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $40 per year. Canadian, $50. Foreign $70 Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 2105, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25c per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25c.)

According to our May questions regarding safety on the nation's highways, everyone agrees that we touched upon an important issue, and nearly everyone agrees that there's room for improvement. About the causes, though, there is less agreement. By about a two-to-one margin, readers told us that they thought eased entry requirements and other liberalities associated with deregulation have not had a significant effect on the state of highway safety. It's not the way trucking operations are being run that is to blame, they say, but the way trucks are being mishandled by drivers. Others, however, argue that these abuses wouldn't be as prevalent but for the deregulated environment, which forces truckers to cut corners in order to remain competitive.

"Most of the 16,000 pre-deregulation carriers practice safety. The new entries either don't concern themselves with it or are going through the learning curve. Safety records and programs take years to develop."—**Bill George, vice president, Jack B. Kelley, Inc., Amarillo, Tex.**

"As a private fleet operator, we believe a good driver safety program is the key to millions of miles of accident-free operation."—**Ed Loftus, distribution/transportation manager, Ampex Corp., Opelika, Ala.**

"I believe the highways would be safer if all states, especially Texas, would adopt federal motor carrier safety rules and regulations."—**Karl Keffer, traffic manager, Texas Instruments, Stafford, Tex.**

"The trucking industry has performed terribly and now is crying the blues. It is our fault and problem and we must solve it."—**Fred Hough, private fleet manager, Pennzoil, Shreveport, La.**

"The tremendous downward pressure on rates brought on by the entrance into the business of many small, low-overhead carriers has *forced* a reduction in safety activities and expenditures."—**Unsigned.**

"In recent sensationalized reports of equipment conditions, no distinction is made between owner/operators and private fleets. I believe private fleets are safer than either o/os or common carriers."—**Robert H. Allen, transportation manager, Die Molding Corp., Cavastoda, N.Y.**

"Deregulation has increased the need for emphasis on vehicle maintenance and driver control. Responsibility has been transferred from the government to the individual companies."—**Dennis Torberson, distribution manager, ACF, Sherman, Tex.**

"Disobedience of speed limits causes most traffic accidents. Truckers especially should be rigidly disciplined for exceeding weight and speed limits."—**Unsigned.**

continued

QUESTION OF THE MONTH

YOU MAKE THE CALL

With our second, bigger, and better year of Carrier Marketing Awards now under our belt (page 10), we think it is a good time to determine just how well carriers are absorbing the messages you shippers have been sending them.

Marketing manifests itself in many ways, but in transportation, it still primarily reaches the shipper through thousands of carrier sales representatives along the front lines. Distribution managers are constantly faced with sales calls from more carriers than they can possibly use. Dealing with carrier reps is one of the largest time-management problems shippers have. You don't want to shut reps off totally, because you might miss some innovative ideas. Still, you need to balance your priorities.

Four years ago, a Dialogue card asked about the abilities and techniques of carrier reps. It yielded a large response that indicated less-than-wholesale satisfaction, within shipper ranks, with the people calling on them every day.

Have heightened competitive pressures compelled carrier reps to sharpen their approaches? Or are they still coming at you with the same old shill? The questions below will help us compile a new report card for this highly visible segment of the transportation marketplace.

DIALOGUE

September 1985

- Today's carrier reps seem to think the best way to make a sale is through (check one only): ________lowest rates; ________personal favors; ________customized service and follow-up; ________route structure; ________endorsements from other shippers; ________carrier reputation; ________other (please specify) ________________________________

- Most carrier salespeople seem to be interested in my requirements. ________I agree; ________I disagree.

- Most carrier reps are good at following up on problems or complaints. ________I agree; ________I disagree.

- Most carrier reps are adequately trained. ________I agree; ________I disagree.

- Most carrier reps are too aggressive. ________I agree; ________I disagree.

- Everything else being equal, most shippers will give the business to who they like. ________I agree; ________I disagree.

September 1985

What criteria do you use for choosing which carrier reps you will see?

____

____

____

What is the best way to tell carriers you aren't interested in their services?

____

____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of *DISTRIBUTION* Editors while covering the industry meeting and seminar circuit:)

"The 55 mph national speed limit must be maintained and uniformly enforced to preserve the positive safety and fuel savings of the past 10 years. We fully support the American Trucking Associations' position that allowing higher speed limits on some highways will eventually result in the elimination of the 55 mph speed limit on all highways.

"The overall concern of the major tank truck carriers like ourselves is for the safety of our drivers and the public. There is no doubt that driving at higher speeds saves time. It also has the potential to kill."**—Gerald J. Trippitelli, president and CEO, Matlack, Inc.**

•

"Space platform developments may give rise to a new industry in the latter half of the decade of the Nineties. There may be a place for specialized carriers providing a new breed of transportation service to and from these platforms, bringing raw materials and transporting back finished goods that may have been manufactured in space."**—Tom Heijman, vice president, Emery Air Freight.**

"I believe most of the responsibility is on the shoulders of the drivers, with or without deregulation. I do believe in enforcing strict standards."**—Ray Plumley, safety chairman, International Honeycomb, University Park, Ill.**

"Private fleets have always been well-run and safety-minded. The for-hire brokers that live by the seat of their pants cause more accidents, and now they can operate as a private carrier with the same equipment."**—Unsigned.**

"The majority of fleet drivers act as professionals; however, there are always companies looking for a fast buck and they have the poorest equipment and drivers. Deregulation has not contributed to this situation."**—Richard Ditrich, corporate traffic manager, Dezurik, Sartell, Minn.**

"Poor road design and maintenance by both state and federal governments is a prime cause of accidents. Witness how long the feds played pork barrel politics with highway construction funds financed by a tax on fuel."**—James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"Many small companies have entered into interstate trucking without significant knowledge of their responsibilities. They have turned their daily operation over to untrained personnel. Hence, driver hours and safety of equipment go by unnoticed."**—George Kastner, transportation supervisor, Stone Container Corp., Melvindale, Mich.**

IS DEREGULATION HAZARDOUS TO YOUR HEALTH?

The safety record of private fleets has been adversely affected	
by deregulation	28%
disagree	51%
Which contributes most to highway accidents?	
driver error	48%
lack of enforcement of safety regs	28%
Increased size and weight limits have hurt	20%
disagree	61%
How much are counterfeit parts to blame?	
sometimes	50%
almost never	33%
often	20%
Our department has a safety compliance program	59%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

FOURTH QUARTER

FORECAST

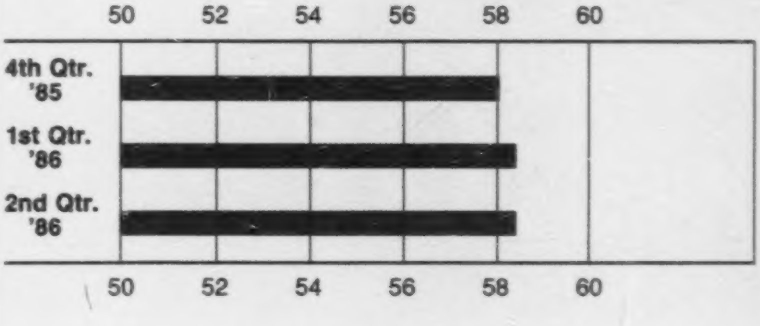
By Richard Lancioni, Ph.D.

GENERAL ECONOMIC INDICATORS

	4th QTR. FORECAST	1st QTR. '86 FORECAST	2nd QTR. '86 FORECAST
Real GNP (trillions)	$4.0155	$4.0977	$4.1254
Retail Car Sales (millions of units, annual rate)	10.9	10.5	10.0
Housing Starts (1000s of units, annual rate)	1,783.2	1,748.9	1,732.1
Prime Rate (%)	10.3	10.5	11.6
Personal Income (trillions)	$3.2990	$3.2498	$3.3776
Inflation Rate (%)	3.3	3.7	4.1
Unemployment Rate (%)	7.3	7.1	7.1
Net Exports (billions of $)	85.4	86.2	89.1
Factory Utilization (%)	81.6	80.1	80.0

The outlook for the balance of 1985 and the first part of 1986 looks brighter. Businesses have gradually been cutting back on their overall inventory levels and consumer demand should begin to pick up in the fourth quarter as the holiday season begins. With inventory levels low, factory output should begin to rise in the fourth quarter. At the same time prices are rising slowly, averaging about 3 percent through the third quarter of 1985. This trend should continue through the last part of 1985 and the first quarter of 1986. A contributing factor to the overall improvement in the economy for the fourth quarter is the expected growth in government expenditures for defense goods. They increased from an annual rate of $73 billion in April and should rise to more than $120 billion in October as the fiscal year comes to a close. The major problem that continues to plague the economy is the ballooning federal deficit. If the value of the dollar continues to decline, the Federal Reserve may have to make extraordinary demands on the money markets in the fourth quarter of '85 to fund government operations.

PURCHASING MANAGERS COMPOSITE INDEX



Continued confidence in the economy is reflected in the Purchasing Index for the final quarter of 1985. Factory orders for the period should increase at an annual rate of more than 6 percent, and the production of non-electrical machinery, which had been declining in the early part of the year, will grow at more than 8 percent. Because much of the purchasing activity has been outside of the U.S., the rate of new factory orders could even be higher and rise through the first quarter of 1986. As long as inflation remains in check, industrial purchasing activity should increase over the long term.

FOURTH QUARTER

DISTRIBUTION INDEX
Quarterly Shipper Forecast

	4th QTR. FORECAST	1st QTR. '86 FORECAST	2nd Qtr. '86 FORECAST
Truck Shipments	147.7	146.7	146.9
Rail Shipments	127.4	126.9	127.1
Air Shipments	134.5	134.1	135.5
Water Shipments	118.1	117.1	118.3
Warehouse Space Utilization	134.2	133.1	132.2
Inventory Valuation	113.9	112.9	112.4

The distribution industry will experience more significant growth in the fourth quarter of 1985. Truck shipments are expected to reach a level of 147.7 through the first quarter because of the increase in overall factory shipments for the period. Rail shipments will also continue to expand, reaching a level of 127.4 in the same period. Moderation in rail shipments will occur in the first part of 1986 as economic activity begins to slow down. Air shipments will expand moderately in the fourth quarter, rising to the 134.5 level. Water shipments will also rise and then decline somewhat in the first quarter of 1986.

DIESEL FUEL PRICES

	4th QTR. FORECAST	1st QTR. '86 FORECAST	2nd QTR. '86 FORECAST
Full-Serve	127.7	128.8	128.8
Self-Serve	115.1	116.2	117.1

Source: American Trucking Associations

Energy prices should remain relatively constant through the fourth quarter of 1985. Full-serve diesel prices have moderated since the third quarter and will climb only moderately through the first part of 1986. Self-serve prices have also declined and will remain steady for the balance of the year. The fuel picture looks bright in the long term. With Saudi Arabia expected to increase its overall production, prices should decline significantly during 1986.

TRANSPORTATION TONNAGE INDEXES
(1977 = 100.0)

	4th QTR. FORECAST	1st QTR. '86 FORECAST	1st QTR. '86 FORECAST
Rail	94.0	95.0	95.0
Truck	163.3	163.7	163.8
Barge	(N/A)	(N/A)	(N/A)

Source: Data Resources Inc.

Freight tonnage hauled by the major modes of transportation will rise moderately in the fourth quarter. Truck tonnage will reach the 163.3 level while rail will rise to the 95.0 level. Barge tonnage will increase moderately through the period as factory orders pick up.

TRANSPORTATION COST INDEXES
(1977 = 100.0)

	4th QTR. FORECAST	1st QTR. '86 FORECAST	2nd QTR. '86 FORECAST
Rail	185.0	185.0	185.0
Truck	175.0	174.0	174.0
Barge	188.0	188.0	188.0

Source: Data Resources Inc.

The cost of moving freight in the fourth quarter will remain stable throughout the period. This is due to the stability in the fuel price sector which has experienced a drop in prices over the past two quarters. Labor costs should continue to decline over the period as new two-tier contracts are negitiated in the industry. Transportation costs in the long term should remain stable through the first and second quarters of 1986.

HOW GREAT ARE THE 48 ?

Our third annual report on the "State of the States" presents the good, the not so good, and the downright expensive facts about doing business in the contiguous 48.

By Cathy Coffman, Special Projects Editor and Bruce Heydt, Managing Editor

This is round three of our regular yearly feature on state taxes. But if you're keeping tabs (saving back issues or whatever), you'll probably notice that this year differs from the last two years.

How To Get There...

Even though the Surface Transportation Act of 1984 brought a certain degree of uniformity to *interstate* transportation regulations, the reluctance of some states to accept deregulation has resulted in "mass confusion" concerning intrastate activity. So, we've emphasized statistics that describe the state of trucking in the "lower 48." Figures like fuel taxes, and the width and height of semis on interstate and intrastate roads are self-explanatory and seldom overlooked. However, such things as reciprocity agreements are not always taken into consideration when planning for the "long haul."

...And What To Expect

Once your trucks reach their destination, there is the "state of the state," or manufacturing climate, that needs to be considered. We've included seven columns of figures that manufacturers deem as key measures of a state's ability to provide a productive environment for its businesses. The bottom line: if the state doesn't get high marks here, it usually doesn't pay to do business there. For the record, an entire study, done by Alexander Grant and Co., states that "America's economic outlook is bright and getting brighter." The accounting firm does not claim that the study presents an all-encompassing definition of manufacturing climates. Rather, it looks at what it takes to succeed in business or manufacturing within each state. We've presented specific figures from the study that we feel could specifically affect your executive distribution decisions.

Where To Get It

Sometimes it pays to have the whole study in front of you, especially if you're planning a distribution center in, say, the Middle Atlantic region, and are wondering whether locating it smack in the middle of Maryland has any advantages over somewhere in Delaware. If you're interested in obtaining the sixth annual study of General Manufacturing Climates published by Alexander Grant, send $35 to Manufacturing Climates Study, Alexander Grant and Co., 1700 Prudential Plaza, Chicago, IL 60601, or call 312-856-0001.

If it's the American Trucking Associations' figures you're after, you can write the ATA, Department of State Laws, 2200 Mill Rd., Alexandria, VA 22314.

"The Reciprocity Guide," an invaluable tool for private carriers, is also available from the ATA by writing the ATA Private Carrier Conference at 1616 P Street, N.W., Washington, DC 20036.

Single copies of this article are available at no charge. Input 406 on Reader Service Card.

STATE TAXES

	VEHICLE REGISTRATION Motor fuel tax levels[1]	Size and weight limits Height[2]	Width[3]	Length[4]	Twin combination lengths[5]	Maximum Gross Weight[6]	Reciprocity Agreements[7]	Axle limits[8]
ALABAMA	13.0 14.0	13'6"	102" 96"	NR 60'0"	28'6" NP	80.0 92.4	MRA IRP	20.0 39.6
ARIZONA	13.0 13.0	13'6"	102" 102"	51'0" NR	28'6" NR	80.0 80.0	IRP UPA	20.0 34.0
ARKANSAS	13.5 12.5	13'6"	102" 102"	48'0" NR	28'0" NR	80.0 80.0	IRP	20.0 34.0
CALIFORNIA	9.0 9.0	14'0"	102" 102"	48'0" 65'0"	28'6" 75'0"	80.0 80.0	UPA	20.0 34.0
COLORADO	12.0 13.0	13'0"	102" 102"	48'0" 70'0"	28'0" 70'0"	80.0 85.0	IRP	20.0 36.0
CONNECTICUT	15.0 15.0	13'6"	102" 102"	48'0" NR	28'0" NP	80.0 80.0		22.8 36.7
DELAWARE	11.0 11.0	13'6"	102" 96"	53'0" 60'0"	29'0" NP	80.0 80.0		20.0 34.0
FLORIDA	9.7 9.7	13'6"	102" 96"	48'0" NR	28'0" NP	80.0 80.0	MRA	22.0 44.0
GEORGIA	7.5 7.5	13'6"	102" 96"	48'0" 60'0"	28'0" NP	80.0 80.0	MRA	20.3 37.3
IDAHO	14.5 14.5	14'0"	102" 102"	48'0" NR	60'0" NR	80.0 105.5	IRP UPA	20.0 34.0
ILLINOIS	12.0 14.5	13'6"	102" 96"	53'0" 55'0"	28'6" 60'0"	80.0 73.3	IRP UPA	20.0 34.0
INDIANA	14.0 15.0	13'6"	102" 102"	48'6" NR	28'6" NR	80.0 80.0	MRA	20.0 34.0
IOWA	15.0 16.5	13'6"	102" 96"	53'0" 60'0"	28'6" 60'0"	80.0 80.0	IRP UPA	20.0 34.0
KANSAS	11.0 13.0	13'6"	102" 102"	53'0" NR	28'6" NR	80.0 85.5	IRP UPA	20.0 34.0
KENTUCKY	10.0 10.0	12'6"	102" 96"	53'0" 60'0"	28'0" NP	80.0 80.0	MRA IRP	20.0 34.0
LOUISIANA	16.0 16.0	13'6"	102" 96"	50'0" 65'0"	30'0" NP	83.4 88.0	MRA IRP	20.0 34.0
MAINE	14.0 14.0	13'6"	102" 102"	48'0" 60'0"	28'6" NP	80.0 80.0		22.0 34.0
MARYLAND	13.5 13.5	13'6"	102" 96"	48'0" NR	28'0" NP	80.0 80.0	MRA	22.4 36.0
MASSACHUSETTS	11.0 11.0	13'6"	102" 96"	48'0" 60'0"	28'0" NP	80.0 80.0		22.4 36.0
MICHIGAN	15.0 15.0	13'6"	102" 96"	50'0" NR	28'6" 59'0"	149.0 149.0	MRA	20.0 34.0
MINNESOTA	17.0 17.0	13'6"	102" 102"	48'0" 65'0"	28'6" NP	80.0 80.0	IRP UPA	20.0 34.0
MISSISSIPPI	9.0 10.0	13'6"	102" 102"	50'0" NR	30'0" NR	80.0 80.0	MRA IRP	20.0 34.0
MISSOURI	7.0 7.0	13'6"	102" 96"	53'0" 60'0"	28'0" 65'0"	80.0 73.3	MRA,IRP UPA	20.0 34.0
MONTANA	15.0 17.0	13'6"	102" 102"	48'0" NR	28'6" NR	80.0 80.0	IRP UPA	20.0 34.0
NEBRASKA	14.7 14.7	14'0"	102" 102"	53'0" NR	65'0" NR	80.0 95.0	IRP UPA	20.0 34.0
NEVADA	12.0 12.0	14'0"	102" 96"	48'0" NR	28'6" NR	80.0 109.0	UPA	20.0 34.0

STATE TAXES

State and local taxes[9]	Gov't. expenditure growth[10]	Gov't debt per capita[11]	Hourly mfg. wage[12]	Energy costs[13]	Population density[14]	Union mfg. employment[15]	
93.62 –2.84	1.154	510.56	7.58 16.80	5.18	78.0 65	20.1 2.15	**ALABAMA**
108.37 –18.32	1.134	795.17	8.99 23.32	4.07	26.1 245	5.3 –2.19	**ARIZONA**
92.34 –6.48	0.856	224.10	7.05 23.47	4.04	44.7 42	13.4 –19.95	**ARKANSAS**
108.32 –10.98	1.201	473.00	9.52 23.64	6.47	161.1 1,506	24.9 –3.43	**CALIFORNIA**
97.55 –13.56	1.379	661.42	8.97 17.56	4.12	30.3 249	11.0 –3.67	**COLORADO**
103.77 –1.63	0.834	1,286.62	8.76 23.73	8.40	644.1 30	16.8 1.92	**CONNECTICUT**
109.18 –5.92	1.003	1,333.17	9.13 20.45	5.99	313.7 12	19.6 6.17	**DELAWARE**
90.39 –7.28	1.074	427.18	7.33 22.58	5.84	197.2 933	8.6 –5.40	**FLORIDA**
103.23 –4.19	0.978	466.43	7.13 23.57	5.14	98.7 269	14.2 0.56	**GEORGIA**
99.27 –4.47	1.162	280.80	8.49 12.45	4.26	12.0 45	13.5 –15.44	**IDAHO**
104.09 –7.45	1.053	821.82	9.70 20.95	5.16	206.4 60	41.4 –5.46	**ILLINOIS**
90.48 2.55	0.915	216.83	10.10 18.96	4.33	152.5 –11	40.0 –3.96	**INDIANA**
108.53 –1.95	0.929	343.34	10.09 16.38	3.99	51.9 -9	31.0 –8.31	**IOWA**
96.64 –3.41	0.899	543.55	9.28 25.92	3.84	29.7 62	12.8 –9.38	**KANSAS**
100.69 –3.13	0.429	278.06	8.79 19.75	5.69	93.6 54	27.0 –8.01	**KENTUCKY**
104.48 –9.92	1.498	1,039.09	9.79 26.49	3.16	99.7 232	20.2 9.23	**LOUISIANA**
120.99 –3.24	1.213	676.88	7.61 26.83	6.00	37.0 21	21.6 12.89	**MAINE**
111.31 –7.46	1.084	1,469.63	9.02 18.53	5.10	437.5 87	32.7 1.44	**MARYLAND**
117.56 –15.45	1.016	1,233.80	8.01 23.04	7.90	737.1 29	19.1 –8.84	**MASSACHUSETTS**
124.52 8.27	0.752	779.10	11.62 22.06	4.98	159.2 –193	51.6 –5.14	**MICHIGAN**
132.21 3.77	0.887	1,130.55	9.56 25.62	4.49	52.1 68	25.7 –9.33	**MINNESOTA**
100.33 –7.61	0.888	565.21	6.70 23.16	4.37	54.8 67	8.7 –4.95	**MISSISSIPPI**
91.90 –1.18	0.869	315.59	8.89 22.45	4.54	72.1 54	41.6 –12.56	**MISSOURI**
125.53 –3.63	0.820	294.61	10.42 18.68	3.14	5.6 30	25.1 –12.53	**MONTANA**
108.08 –2.32	0.960	556.92	8.75 18.56	3.71	20.8 29	12.5 –12.39	**NEBRASKA**
102.51 –2.53	1.100	1,257.91	9.02 16.84	4.19	8.1 91	7.6 –19.58	**NEVADA**

STATE TAXES

	VEHICLE REGISTRATION Motor fuel tax levels[1]	Size and weight limits Height[2]	Width[3]	Length[4]	Twin combination lengths[5]	Maximum Gross Weight[6]	Reciprocity Agreements[7]	Axle limits[8]
NEW HAMPSHIRE	14.0 14.0	13'6"	102" 96"	48'0" NR	28'0" NP	80.0 80.0		22.4 36.0
NEW JERSEY	8.0 8.0	13'6"	102" 96"	48'0" NR	28'0" NP	80.0 80.0	MRA	23.5 34.0
NEW MEXICO	11.0 11.0	13'6"	102" 102"	48'0" 65'0"	28'6" 65'0"	86.4 86.4	UPA	21.6 34.3
NEW YORK	8.0 10.0	13'6"	102" 96"	48'0" 60'0"	28'6" NP	80.0 80.0		22.4 36.0
NORTH CAROLINA	12.25 12.25	13'6"	102" 96"	48'0" 55'0"	28'0" NP	80.0 80.0	MRA IRP	20.0 34.0
NORTH DAKOTA	13.0 13.0	13'6"	102" 102"	NR 75'0"	NR 75'0"	80.0 105.0	IRP UPA	20.0 34.0
OHIO	12.0 12.0	13'6"	102" 102"	50'0" NR	28'6" NR	80.0 80.0		20.0 34.0
OKLAHOMA	9.0 9.0	13'6"	102" 96"	NR NR	NR NR	80.0 90.0	IRP	20.0 34.0
OREGON	9.0 9.0	14'0"	102" 102"	48'0" 60'0"	28'0" 75'0"	80.0 80.0	IRP UPA	20.0 34.0
PENNSYLVANIA	12.0 12.0	13'6"	102" 96"	48'0" 60'0"	28'0" NP	80.0 80.0	IRP	22.4 36.0
RHODE ISLAND	13.0 13.0	13'6"	102" 102"	48'6" NR	28'6" NP	80.0 80.0		22.4 36.0
SOUTH CAROLINA	13.0 13.0	13'6"	102" 96"	48'0" 60'0"	28'6" NP	80.0 80.0	MRA	20.0 35.2
SOUTH DAKOTA	13.0 13.0	13'6"	102" 102"	53'0" 60'0"	28'6" 80'0"	80.0 101.0	IRP UPA	20.0 34.0
TENNESSEE	13.0 13.0	13'6"	102" 96"	40'0" NR	28'6" NP	80.0 80.0	MRA IRP	20.0 34.0
TEXAS	10.0 10.0	13'6"	102" 102"	57'0" NR	28'6" NR	80.0 80.0	IRP	20.0 34.0
UTAH	14.0 14.0	14'0"	102" 102"	48'0" NR	60'0" NR	80.0 80.0	IRP UPA	20.0 34.0
VERMONT	13.0 14.0	13'6"	102" 102"	48'0" 60'0"	28'0" NP	80.0 80.0		22.4 36.0
VIRGINIA	13.63 13.63	13'6"	102" 96"	48'0" 56'0"	28'0" NP	80.0 80.0	MRA IRP	20.0 34.0
WASHINGTON	18.0 18.0	14'0"	102" 102"	48'0" NR	59'0" NR	80.0 80.0	UPA	20.0 34.0
WEST VIRGINIA	15.35 15.35	13'6"	102" 96"	48'0" 55'0"	28'0" NP	80.0 80.0	MRA	20.0 34.0
WISCONSIN	16.0 16.0	13'6"	102" 102"	48'0" 60'0"	28'6" NP	80.0 80.0	IRP	20.0 34.0
WYOMING	8.0 8.0	14'0"	102" 102"	60'0" 85'0"	80'0" 85'0"	80.0 101.0	IRP UPA	20.0 36.0

[1] This first column represents the state taxes on gasoline and diesel fuel, respectively, in cents per gallon. Source: Highway Users Federation.

[2] This number is the maximum height, given in feet and inches, of vehicles within each state. Source: American Trucking Associations. (ATA)

[3] This number represents the width (in inches) set for interstate and designated highway systems. Source: American Trucking Associations.

[4] In this column is the maximum allowable length (in feet and inches) of a single unit truck on the interstate system. Source: ATA.

[5] Column five is the overall combination length allowed on all interstate roads within the state. Source: ATA.

[6] This column states the maximum allowable gross weight for vehicles in 1000's of pounds. The top number is the interstate figure, and the bottom number is for all other roads within the state. Source: ATA.

[7] This column identifies which reciprocal taxing agreements each state adheres to. Abbreviations used are: MRA—Multistate Reciprocal Agreement; IRP—International Registration Plan; and UPA—Uniform Proration Agreement. Source: **Commercial Carrier Journal.**

[8] Axle limits for single (top number) and tandem (bottom number) are given in 1000 of pounds. Source: American Trucking Associations.

[9] The top number represents the state and local taxes per $1000 of personal income. The bottom number is the change over three years. Source:

STATE TAXES

State and local taxes[9]	Gov't. expenditure growth[10]	Gov't debt per capita[11]	Hourly mfg. wage[12]	Energy costs[13]	Population density[14]	Union mfg. employment[15]	
89.35 -2.89	1.130	747.13	7.38 25.72	7.59	106.6 38	8.0 -7.34	**NEW HAMPSHIRE**
111.74 -4.67	0.807	1,061.30	9.11 25.14	6.73	1,000.0 130	22.3 -6.46	**NEW JERSEY**
116.58 -4.30	1.035	379.56	7.62 31.61	4.87	11.5 96	15.3 -4.30	**NEW MEXICO**
153.49 -6.04	1.039	1,285.61	8.84 23.12	5.78	372.9 109	50.2 -6.79	**NEW YORK**
101.83 -4.09	0.751	523.81	6.68 24.39	5.47	124.5 200	5.0 4.84	**NORTHCAROLINA**
102.68 0.42	1.012	382.21	7.74 17.99	3.28	9.8 28	13.6 -22.88	**NORTH DAKOTA**
102.60 9.69	0.792	627.82	10.56 23.22	4.59	262.1 -52	41.7 -8.47	**OHIO**
102.56 0.93	1.049	338.96	9.21 25.14	3.69	48.0 273	17.6 -0.36	**OKLAHOMA**
119.48 4.74	0.968	2,846.77	10.24 18.38	4.77	27.7 29	25.1 -3.17	**OREGON**
106.99 -7.45	0.806	750.12	8.95 17.92	4.99	265.0 31	40.8 -7.67	**PENNSYLVANIA**
120.32 1.21	0.814	837.59	6.92 23.79	8.29	905.2 8	10.8 -9.28	**RHODE ISLAND**
105.29 -1.39	0.635	528.06	7.03 25.76	4.91	108.1 142	3.9 -4.28	**SOUTH CAROLINA**
95.81 -9.54	0.778	210.00	7.28 12.00	2.77	9.2 9	3.9 -29.40	**SOUTH DAKOTA**
90.93 -2.91	0.711	861.58	7.49 23.19	5.06	113.8 94	15.8 -6.62	**TENNESSEE**
93.04 -4.59	1.074	781.26	8.88 24.20	3.94	60.0 1,494	16.0 9.95	**TEXAS**
113.03 -9.36	0.746	571.09	8.71 24.07	3.93	19.7 158	7.2 -8.10	**UTAH**
121.77 -4.14	1.492	845.90	7.66 24.76	7.18	56.6 14	11.3 7.06	**VERMONT**
99.70 -2.72	0.853	595.23	7.78 25.08	4.54	139.8 203	11.5 0.90	**VIRGINIA**
14.42 5.21	0.807	1,0082,35	11.41 21.25	3.61	64.7 168	35.0 -6.74	**WASHINGTON**
111.80 -0.26	0.787	562.29	9.74 20.54	3.74	81.5 15	38.3 8.52	**WEST VIRGINIA**
131.83 5.71	0.714	983.81	9.78 21.79	4.82	87.3 45	31.2 -8.38	**WISCONSIN**
202.34 37.08	0.777	773.15	8.72 24.39	3.29	5.3 45	19.3 -7.02	**WYOMING**

Alexander Grant General Manufacturing Climate Study.

[10] This number is the factor value given for state and local government general expenditure growth versus the general revenue growth over three years. The factor indicates the ability of the state and local authorities to match expenditures with general revenues. Source: Alexander Grant.

[11] These numbers indicate the potential for future tax increases in order to service past debt, and the ability of each state to raise future debt. Source: Alexander Grant.

[12] The top number indicates average wages. The bottom number indicates the trend in wages over three years. Source: Alexander Grant.

[13] Energy costs per million BTUs is presented in column 13. Source: Alexander Grant.

[14] The top number in this column represents the density of the work force per square mile. The bottom number indicates the change in size of the general work force over three years. Source: Alexander Grant.

[15] The top number indicates the degree of work force unionization. The bottom number represents the percent change over two years in the union work force. Source: Alexander Grant.

MOTOR CARRIERS

THE HIT (AND MISS) PARADE

Numbers for individual motor carriers show that, by and large, trucklines did a better job increasing volume in 1984. But earnings and operating ratios remain a challenge.

By Joseph V. Barks, Editor-in-Chief and Cathy Coffman, Special Projects Editor

Earlier this year, we ran into a delay waiting for the Interstate Commerce Commission-supplied carrier earning figures for the trucking industry. The holdup made it impossible for us to publish the figures in our June issue, as we've done in years past.

The ICC pointed to the carriers as the root cause of the delay, for not being nearly as diligent when it came time to get the numbers to the Commission, as required by law. But the fact that the Commission is now so short-staffed certainly didn't help, from either an enforcement or tabulation standpoint.

Whatever the cause, the delay gave us time to take advantage of the "Top 100" financial report published every year in July by our sister publication, *Commercial Carrier Journal*. We found carriers listed in *CCJ*'s report that were not listed in the ICC's, so after we finally got the ICC figures, we merged the two together (excluding United Parcel Service) and came up with an expanded list of 111 leading carriers, presented, as promised, on the following pages.

We also used the extra time to revamp our presentation of the numbers. Rather than use the ICC's anachronistic "Eastern, Southern and Western" districts, we've restructured the listings into strict alphabetical order. We've also prepared a number of smaller tables which will help you determine, at a glance, which carriers did the best, or worst, in key areas: revenues, net income, and operating ratios.

As the "bottom lines" on page 62 show, collectively the carriers showed significant improvement from a revenue standpoint, but the extra business failed to help bolster any of the income and operating ratio lines reflecting financial health (or lack of it). For the most part, the same tendencies can be found within the individual carrier lines. This all bears out the analysis we presented in our June issue ("Some Big Numbers Get Belittled," p. 51), which contended that increases in computerization, communications, marketing and other overhead costs have outpaced whatever added business trucklines have mustered.

Single copies of this article are available at no charge. Input 412 on Reader Service Card.

INCOME RANKINGS—TOP FIFTEEN

CARRIER	'84 RANK	'83 RANK	NET INCOME[1]	NET CHANGE
Roadway Express	1	1	98.28	NC
Consolidated Freightways	2	2	60.00	NC
Yellow Freight System	3	3	41.24	NC
Overnite Trans. Co.	4	NR	33.78	New
North American Van Lines	5	4	27.72	-1
Penna. Truck Lines	6	NR	15.30	New
JB Hunt Transportation	7	NR	14.14	New
Carolina Freight Car	8	6	13.16	-1
Complete Auto Transit	9	NR	11.60	New
APA Transport	10	10	9.89	+2
Southeastern Freight	11	9	9.63	NC
Aero Mayflower Transit	12	15	9.41	+5
Transcon Lines	13	NR	8.73	New
Preston Trucking Co	14	12	8.65	NC
Central Freight Lines	15	NR	8.18	New

[1] (in millions) NR = Not Ranked; NC = No Change.

OPERATING REVENUES—TOP FIFTEEN

CARRIER	'84 RANK	'83 RANK	OPER. REVENUE[2]	NET CHANGE
Roadway Express	1	1	1,400.9	NC
Yellow Freight System	2	3	1,344.3	+1
Consolidated Freightways	3	2	1,283.7	-1
Ryder/P.I.E. Nationwide	4	4	890.7	NC
North American Van Lines	5	5	654.2	NC
McLean Trucking Co	6	6	487.6	NC
Overnite Transportation	7	8	414.3	+1
ABF Freight System	8	7	386.2	-1
Carolina Freight Car	9	9	373.2	NC
Allied Van Lines	10	11	353.8	+1
United Van Lines	11	13	341.3	+2
Smith's Transfer Corp	12	10	335.1	-2
Transcon Lines	13	12	326.4	-1
American Frt. Systems	14	14	294.6	NC
Aero Mayflower	15	15	267.7	NC

[2] (in millions) NR = Not Ranked, NC = No Change

LOWEST OPERATING RATIOS

CARRIER	OPERATING RATIO
1. JB Hunt Transportation	75.4
2. APA Transport	79.8
3. New Penn Motor Express	83.7
4. Estes Express Co	84.6
5. Southeastern Frt. Line	85.6
6. Burnham Service Co.	85.7
7. SAIA Motor Freight Line	85.7
8. Overnite Transportation	85.8
9. Northwest Trans. Co	86.6
10. AAA Cooper Trans	88.9

continued

MOTOR CARRIERS

HIGHEST OPERATING RATIOS

CARRIER	OPERATING RATIO
1. Mason & Dixon Lines	129.1
2. Mercury Motor Express	117.5
3. Santa Fe Trail Trans. Co.	113.5
4. BN Transport	113.3
5. Coastal Tank Lines	108.0
6. Interstate Contract Car.	107.2
7. Associated Trucking	107.0
8. Commercial Lovelace Motor Freight, Inc.	105.3
9. Midwestern Distribution	105.1
10. Pilot Freight Carriers	104.8

LARGEST LOSSES

CARRIER	NET LOSS^{3}
1. Mason & Dixon Lines	(21.66)
2. Ryder/P-I-E	(19.69)
3. Pilot Freight Carriers	(11.97)
4. Hall's Motor Transit Co.	(9.97)
5. Coastal Tank Lines	(7.02)
6. Garrett Freight	(6.43)
7. BN Transport	(6.12)
8. Midwestern Distribution	(3.49)
9. Santa Fe Trail Trans. Co.	(3.27)
10. Smith's Transfer Co.	(3.25)

^{3}(in millions)

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME^{1} ($ millions)	NET INCOME^{2} ($ millions)	REVENUE TONS — HAULED^{3} (millions)	OPERATING RATIO^{4} (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY^{5} (percent)
AAA	84	66.4	7.34	3.60	0.61	88.9	28.80
Cooper	83	59.1	6.10	3.50	0.57	89.7	33.8
ABF	84	386.2	15.28	7.92	2.06	96.0	251.4
Freight	83	349.9	6.36	3.40	2.06	98.2	-0-
A-P-A	84	$97.6	$19.6	$9.8	$0.5	79.8	30.2
Transport	83	87.3	17.2	8.05	0.44	80.2	30.8
Advance	84	66.9	(0.23)	(1.24)	0.74	100.3	-0-
Transportation	83	58.8	0.87	0.10	0.63	98.5	2.42
Aero-Mayflower	84	267.7	14.7	9.4	0.47	94.5	33.9
Transit	83	222.6	9.22	6.05	0.40	95.9	27.9
Allied Van	84	353.6	7.31	7.76	0.58	97.9	37.1
Lines	83	300.2	3.71	4.34	0.55	98.8	26.1
American	84	294.7	6.90	4.11	1.77	97.7	11.19
Freight System	83	268.6	11.55	6.61	1.61	95.7	21.92
Anchor	84	316.3	NA	9.54	3.64	93.8	NA
Motor Freight	83	234.0	NA	8.63	2.50	92.7	NA
Anderson	84	52.7	2.47	1.45	0.85	95.3	20.32
Trucking	83	48.49	2.30	1.67	0.81	95.3	25.95
Associated	84	194.0	NA	(12.5)	2.10	107.0	NA
Trucking	83	193.8	NA	(2.54)	0.81	99.3	NA
Atlas Van	84	162.4	6.75	1.45	0.28	95.8	3.80
Van Lines	83	133.2	5.25	3.57	0.25	96.1	12.6
Auto Convoy	84	77.7	3.16	2.10	1.48	95.9	474.7
	83	48.8	(0.39)	(0.95)	0.88	100.8	-0-
BN Transport	84	50.20	(6.68)	(6.12)	0.29	113.3	-0-
	83	65.4	(4.26)	(4.80)	0.45	106.5	-0-
Bekins Van	84	206.8	6.52	4.54	0.34	96.8	17.05
Lines	83	171.2	3.94	2.72	0.39	97.7	11.4
Bowman	84	158.7	2.48	3.47	1.68	98.4	6.86
Transportation	83	149.0	1.52	2.39	1.75	99.0	4.58
Brown	84	171.7	6.51	2.47	2.38	96.2	13.45
Transport	83	150.2	10.34	8.55	2.24	93.1	77.10
Builders	84	79.0	NA	4.15	3.34	89.1	NA
Transport	83	NA	NA	NA	NA	NA	NA
Burnham	84	79.79	11.40	4.86	0.11	85.7	110.8
Service Co.	83	55.00	5.55	2.46	0.9	89.9	55.9
Campbell 66	84	88.6	(3.47)	(1.63)	0.74	103.9	-0-
Express	83	88.6	0.35	1.13	0.70	99.6	6.19
Cassens	84	71.2	NA	5.74	7.93	99.4	-0-
Transport	83	NA	NA	NA	NA	99.0	NA
Carolina	84	373.2	25.5	13.16	2.16	93.2	28.48
Freight	83	327.3	23.07	11.57	1.99	93.0	30.1
Central	84	191.3	8.61	8.18	2.48	95.5	12.41
Freight	83	175.6	6.46	4.70	2.29	96.3	7.40
Central	84	260.7	9.18	5.95	5.46	96.5	23.31
Transport	83	213.5	19.82	4.69	4.79	90.7	200.1
Chemical	84	158.0	3.57	(0.52)	5.53	97.7	-0-
Leaman	83	147.8	0.6	(1.37)	5.54	99.6	-0-
Churchill	84	84.9	5.07	2.95	0.58	94.0	26.52
Truck Lines	83	72.5	4.60	2.56	0.52	93.7	33.86
Coastal Tank	84	55.1	(4.42)	(7.03)	1.663)	108.0	-0-
Lines	83	58.5	(0.53)	(3.31)	2.26	100.9	-0-
Commercial	84	167.9	9.23	4.40	2.74	94.5	16.98
Carriers	83	142.9	8.09	5.08	2.24	94.3	21.51
Complete	84	246.9	NA	11.6	2.88	90.8	NA
Auto Transit	83	212.5	NA	10.3	2.40	90.9	NA
Consolidated	84	1,283.7	93.1	60.00	5.04	92.7	15.82
Freightways	83	1,116.6	94.80	56.34	4.46	91.5	17.00
Jack Cooper	84	130.9	7.41	1.82	1.50	94.3	11.24
Transport^{7}	83	103.2	7.08	1.40	1.30	93.1	14.24
Crete	84	94.1	4.79	3.28	1.30	93.5	29.61
Carrier Corp.	83	62.8	3.34	2.42	1.14	94.7	26.78
CRST	84	88.5	6.85	2.86	1.25	92.3	.57
	83	70.2	2.85	1.74	1.23	95.9	23.14
C.W.	84	131.5	1.60	1.20	1.43	98.8	4.21
Transport	83	99.4	1.88	0.82	1.12	98.1	3.12
Dallas	84	62.4	NA	2.08	NA	93.9	NA
& Mavis	83	NA	NA	NA	NA	NA	NA
Duff	84	57.8	(1.10)	0.20	1.03	101.9	28.95
Truck Lines	83	53.6	(0.07)	(0.43)	0.77	100.1	-0-
E & L	84	76.6	3.95	2.12	0.92	94.8	99.14
Transport	83	62.1	2.66	2.26	0.79	95.7	291.1
Estes	84	58.99	9.10	5.77	0.75	84.6	40.21
Express	83	49.47	6.46	4.19	0.66	86.9	35.73
FFE	84	63.1	0.11	0.14	0.68	99.8	2.14
Transport	83	58.7	1.60	0.81	0.64	97.3	13.80
Garrett	84	173.9	NA	(6.43)	1.20	102.4	NA
Freight	83	168.5	NA	3.48	1.12	99.8	NA
Global	84	82.7	2.81	1.33	0.19	96.6	13.82
Van Lines	83	75.4	1.78	0.74	0.16	97.6	7.79
Graves	84	71.4	NA	(2.14)	0.45	102.1	NA
Truck Lines	83	70.1	NA	(1.67)	0.54	102.0	NA
Groendyke	84	63.0	2.69	1.33	3.73	95.7	10.74
Transport	83	54.8	2.05	1.07	3.49	96.3	9.80
Hall's Motor	84	191.3	(7.09)	(9.98)	1.32	103.7	-0-
Transit	83	193.4	(6.04)	(8.39)	1.36	103.1	-0-
Holland Motor	84	91.1	10.04	5.76	0.80	89.0	27.67
Express	83	72.9	7.56	4.62	0.63	89.6	27.05
Holmes	84	53.7	(1.13)	0.53	0.52	102.1	4.24
Transportation	83	55.5	0.12	0.32	0.65	99.8	2.69
J. B. Hunt	84	97.9	24.1	14.14	1.46	75.4	105.2
Transportation	83	63.0	13.2	7.63	0.97	79.1	99.37
Hyman	84	55.6	1.53	1.01	0.39	97.0	36.24
Freightways	83	46.0	2.51	1.52	0.34	94.6	93.48
Interstate	84	71.7	NA	(1.56)	0.09	107.2	NA
Contract Car.	83	64.5	NA	(1.42)	0.66	104.0	NA
Jones	84	76.6	1.81	2.02	1.52	97.6	129.2
Motor Co.	83	51.1	1.19	1.20	1.07	97.7	4,451
Jones	84	66.7	5.40	3.67	1.37	91.9	40.6
Transfer	83	57.0	3.62	2.74	1.18	93.6	40.4
Jones	84	152.2	11.37	6.54	1.11	92.5	12.5
Truck Lines	83	158.7	10.90	5.74	1.66	93.1	11.83
Kenosha	84	6.07	1.29	0.82	0.65	97.9	10.95
Auto Transport	83	46.70	0.46	0.41	0.43	99.0	5.59

continued

MOTOR CARRIERS

		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY[5] (percent)
Lynden Transport	84	43.8	0.95	0.50	0.18	97.8	3.97
	83	59.0	4.00	2.22	1.09	93.2	11.21
Lyons Transportation	84	53.2	0.86	0.87	0.40	98.4	7.61
	83	47.1	1.78	0.99	0.35	96.2	9.28
M&G Convoy	84	90.6	2.71	1.97	1.11	97.0	18.5
	83	70.6	0.49	0.34	0.78	99.3	3.45
Mason & Dixon Lines	84	66.1	(19.2)	(21.6)	1.04	129.1	-0-
	83	158.0	(0.62)	(2.49)	1.66	100.4	-0-
Matador Service	84	64.7	NA	5.27	NA	82.3	NA
	83	NA	NA	NA	NA	NA	NA
Matlack	84	209.0	8.83	2.87	8.70	95.8	7.62
	83	171.3	5.58	1.07	7.53	96.7	2.8
McLean Trucking Co.	84	487.6	(14.0)	(2.80)	2.66	102.9	-0-
	83	519.0	(6.10)	0.86	2.88	101.2	0.85
Melton Truck Lines	84	59.1	1.06	1.08	1.42	98.2	10.46
	83	47.5	0.72	0.81	1.24	98.5	8.56
Merchants Fast Motor Lines	84	95.2	5.00	2.00	1.00	94.8	23.08
	83	90.3	4.17	1.68	0.94	95.4	19.60
Mercury Motor Express, Inc.	84	31.4	(5.49)	(3.13)	0.35	117.5	-0-
	83	48.7	(2.93)	(1.60)	0.53	106.0	-0-
Mid West Coast Transport, Inc.	84	60.3	2.18	1.29	0.65	96.4	20.56
	83	57.8	1.12	0.67	0.62	98.1	11.89
Midwest Emery Freight System	84	45.6	(0.80)	(1.42)	1.11	101.8	-0-
	83	57.1	(1.76)	(2.39)	1.47	103.1	-0-
Midwestern Distribution	84	135.6	(6.98)	(3.49)	1.81	105.1	-0-
	83	104.4	(2.58)	(2.16)	1.44	102.5	-0-
Miller Transporters	84	57.5	1.05	0.14	4.17	98.2	2.14
	83	50.5	1.38	0.47	3.96	97.3	7.16
Milne Truck Lines, Inc.	84	99.7	1.40	0.63	0.70	98.6	3.32
	83	86.1	0.19	(0.42)	0.60	99.8	-0-
Mistletoe Express Service	84	75.2	0.75	(0.49)	0.22	99.0	-0-
	83	67.2	2.48	0.78	0.25	96.3	7.07
Morgan Drive Away	84	47.8	1.73	1.10	0.65	96.4	28.5
	83	46.1	2.12	1.20	0.61	95.4	9.40
Motor Convoy	84	93.0	NA	2.37	0.35	97.1	NA
	83	68.9	NA	0.20	2.52	98.8	NA
Murphy's Motor Freight	84	96.7	(0.10)	(0.82)	0.74	100.1	-0-
	83	91.2	0.74	(0.24)	0.75	99.2	-0-
NTC of America	84	83.1	0.47	0.30	1.23	99.4	8.07
	83	55.7	2.03	1.61	0.86	0.64	76.96
National Freight	84	89.3	0.99	5.10	1.17	98.9	52.2
	83	76.8	(0.78)	0.14	1.17	101.0	2.28
New Penn Motor Express	84	65.7	10.7	6.64	0.57	83.7	23.38
	83	54.5	9.14	5.63	0.47	83.2	23.22
No. American Van Lines, Inc.	84	654.2	28.2	27.7	3.02	95.7	25.24
	83	555.4	16.00	20.00	2.58	97.1	15.22
Northwest Motor Express	84	82.8	11.14	6.57	0.41	86.6	34.84
	83	67.5	8.79	4.73	0.34	87.0	33.12
Nu-Car Carriers	84	113.3	8.12	3.62	2.12	92.8	67.06
	83	94.5	3.64	1.74	1.82	96.6	47.3
Old Dominion Freight Lines	84	127.4	0.91	(2.97)	1.69	99.3	-0-
	83	130.8	3.17	1.06	1.99	97.6	8.33
Oneida Motor Freight, Inc.	84	56.5	0.13	(0.61)	0.46	99.8	-0-
	83	55.2	0.69	0.32	0.42	98.7	5.44
Overnite Transportation	84	414.3	58.98	33.78	3.58	85.8	21.84
	83	340.1	49.96	28.36	3.17	85.3	21.74
Pacific Motor Transportation	84	108.9	4.18	2.63	1.19	96.2	-0-
	83	124.8	(6.40)	(16.2)	1.15	105.2	-0-
Paul's Trucking	84	58.5	NA	0.36	1.68	99.4	NA
	83	56.8	NA	0.66	1.53	97.9	NA
Penna Truck Lines	84	67.4	NA	15.3	NA	98.3	NA
	83	61.2	NA	3.12	NA	95.0	NA
Pilot Freight Carriers, Inc.	84	208.4	(10.1)	(11.9)	1.82	104.8	-0-
	83	188.0	(7.91)	(9.45)	1.62	104.2	-0-
Pre-Fab Transit, Co.	84	56.9	2.60	1.15	0.89	95.4	28.11
	83	50.1	2.92	2.04	0.96	94.2	61.29
Preston Trucking	84	285.1	11.15	8.65	2.70	96.1	9.44
	83	263.4	11.9	6.63	2.60	95.5	9.19
Red Arrow Freight Lines	84	55.2	1.21	0.52	0.73	97.7	7.03
	83	46.2	(0.32)	(0.55)	0.65	100.7	-0-
Red Star Express	84	97.6	9.47	4.50	0.61	90.3	20.67
	83	95.3	9.51	3.54	0.69	90.0	10.25
Refiners Transport	84	47.5	0.92	0.11	5.33	98.1	0.89
	83	48.0	(0.35)	(1.39)	6.06	100.7	-0-
Riss Int'l.	84	70.5	(0.82)	(0.77)	1.06	101.2	-0-
	83	70.8	(0.52)	(0.03)	1.19	100.7	-0-
Roadway Express	84	1,400.9	133.85	98.28	5.83	90.4	17.93
	83	1,259.0	130.63	99.49	5.03	89.6	20.69
Ryder/P-I-E	84	890.7	(26.3)	(19.6)	3.83	103.0	-0-
	83	822.0	26.66	9.89	35.6	96.8	8.40
St. Johnsbury	84	232.3	13.98	6.67	2.01	94.0	20.36
	83	209.0	12.33	4.65	1.65	94.1	16.77
SAIA Motor Freight	84	56.3	8.07	4.70	0.67	85.7	21.8
	83	47.4	6.47	3.74	0.52	86.4	21.25
Santa Fe Trail Transport	84	43.6	(5.88)	(3.28)	0.27	113.5	-0-
	83	48.1	(2.19)	1.13	0.29	104.5	11.14
Schneider Transport	84	193.0	3.34	1.77	3.72	98.3	18.75
	83	168.8	5.86	3.17	3.35	96.5	52.71
Schwerman Trucking Co.	84	55.4	2.61	2.37	4.38	95.3	789.0
	83	54.6	1.34	0.40	4.53	97.6	-0-
Smith's Transfer	84	335.1	5.51	(3.25)	2.10	98.4	-0-
	83	315.3	8.09	3.87	2.17	97.4	7.14
Southeastern Freight	84	70.0	10.10	9.63	0.83	85.6	111.5
	83	58.6	8.61	8.25	0.67	85.3	78.71
Southwest Freight	84	59.8	2.19	0.11	0.58	96.3	1.80
	83	49.18	2.17	0.80	0.50	94.2	27.54
System 99	84	72.3	(0.94)	(2.30)	0.45	101.3	-0-
	83	67.6	2.97	1.32	0.42	95.6	-0-
The Motor Convoy	84	92.9	2.69	2.37	3.53	97.1	104.7
	83	68.9	0.86	0.20	2.61	98.7	13.10
Thurston Motor Lines	84	111.5	2.07	(1.20)	1.29	98.1	-0-
	83	104.1	5.36	0.19	1.23	94.9	12.40
Transcon Lines	84	326.5	19.6	8.73	1.83	94.0	28.10
	83	283.7	9.29	4.68	1.62	96.7	17.73
Transus, Inc.	84	96.0	4.71	7.26	0.88	95.1	29.10
	83	93.7	5.77	6.72	0.91	93.8	30.09
Tri-State Motor Transit	84	109.6	1.08	(0.28)	0.93	99.0	-0-
	83	106.2	4.06	2.02	0.95	96.2	10.17
United Van Lines	84	341.3	(0.36)	0.98	0.60	100.1	4.79
	83	269.7	0.95	1.71	0.45	99.6	9.32
Viking Freight	84	103.0	6.68	3.57	0.58	93.5	10.83
	83	80.3	3.52	0.74	0.46	95.6	4.36
Watkins	84	116.6	4.87	2.45	0.50	95.8	18.99
	83	128.1	10.02	3.48	0.80	92.2	29.35
Willis Shaw	84	52.6	4.81	3.03	0.58	90.9	117.2
	83	49.6	3.17	1.01	0.53	93.6	6.78
Yellow Freight	84	1,344.3	69.45	41.24	5.86	94.8	18.19
	83	1,058.0	78.01	48.03	4.56	92.6	22.23
Total, All Carriers[6]	84	17,412	715.83	412.08	160.66	95.9	13.19
	83	15,483	737.45	430.48	150.08	95.2	15.1

[1] Net Carrier Operating Income - Difference between carrier operating revenues and expenses.

[2] Net Income - includes fixed charges, non operating income, income taxes, unusual or infrequent items, earnings attributable to discontinued segments, extraordinary items and cumulative effect of changes in accounting principles, but before extraordinary charges for write-down of operating rights and extraordinary credits for the tax effect of such write downs.

[3] Revenue tons hauled reflect common and contract carrier service.

[4] Operating Ratio-Ratio of operating expenses to operating revenues.

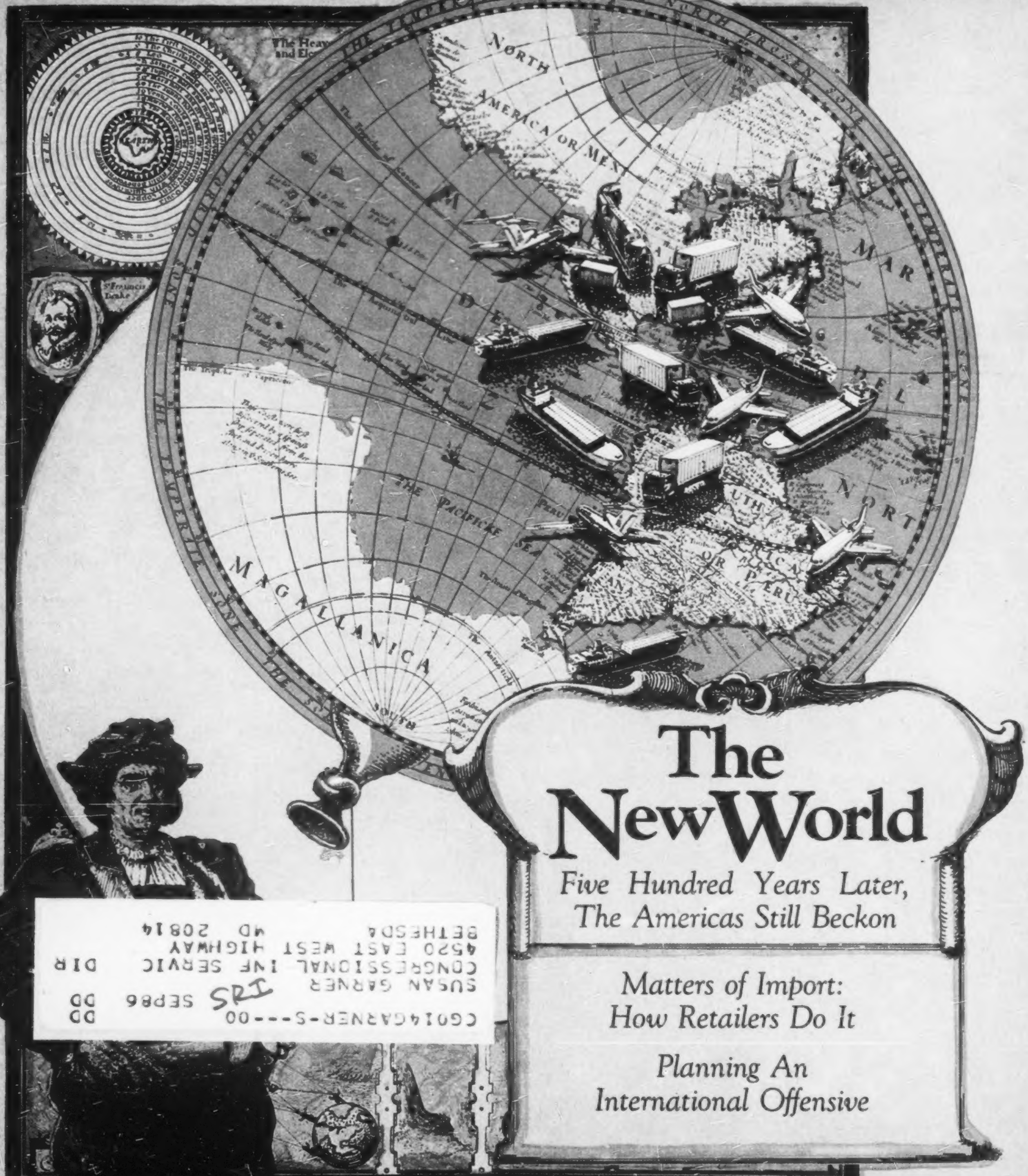
[5] Return on Equity - Ratio of net income before extraordinary charges for write down of operating rights to shareholders' equity less intangible property at end of previous calendar year. The symbol -0- indicates a deficit in net income and/or shareholders' equity.

[6] The 100 carriers listed are generally the largest Class I U.S. motor carriers of property, based upon revenues, with the following exceptions. Contract carriers are not included because the data filed by these carriers were substantially reduced in scope, in accordance with the Commission's revised reporting regulations, effective January 1, 1980. Also, the two largest motor carriers in terms of revenue generated—United Parcel Service and United Parcel Service, Inc.

Chilton's
DISTRIBUTION
FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

OCTOBER 1985

C2150-1


North
America or Mex
The Pacificke Sea
Magallanica
Mar
Del
Nort
S. Francis Drake

The New World

Five Hundred Years Later, The Americas Still Beckon

Matters of Import: How Retailers Do It

Planning An International Offensive

CG014GARNER-S---00 DD
SUSAN GARNER SRI SEP86 DD
CONGRESSIONAL INF SERVIC DIR
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

VOL. 84, NO. 10

Chilton's

DISTRIBUTION

OCTOBER 1985

COVER STORY

10 THE NEW WORLD
A half a millenium after Christopher Columbus literally put the Americas on the map, they are still being explored by traders who are discovering substantial new markets for their products.

FEATURES

40 MORE INTERNATIONAL STRATEGIES
An importer, an exporter and an affiliate demonstrate the ups and downs inherent to the different ways 'New World' markets can be tapped.

47 MATTERS OF IMPORT
Here's a catalog of major retailers from which you can order blueprints of how to bring it all home from overseas.

70 VISBY/HAMBURG: STILL A SPLIT DECISION
Although several parties have come to blows over the Visby and Hamburg treaties, nobody seems to be able to throw the knockout punch.

84 THE GRAND SCHEME OF THINGS
"A man, a plan, a canal, Panama." Or maybe a woman, a plan, a new market, Paraguay. Whoever and wherever, distribution helps plot the course.

p.47 Nike's big-league feat

COLUMNS

4 EDITORIAL By Joseph V. Barks
'Protection' that can hurt us all

7 DIALOGUE
In search of customer service

96 INTERNATIONAL By R.Lynn Hurlburt
Formulas for success

100 ANSWERS & AUDITS
All railroads are not limiting equally

101 TRUCKING By Kurt Hoffman
Hello, Europe? I sent it by truck

104 WASHINGTON By Stan Chapman
Insurance: the high price of compliance

108 SHIPPER/CARRIER By John Betz
Hear today, buy tomorrow?

114 RAIL By Frank E. Shaffer
Business is stacking up well—for now

116 SMALL SHIPMENTS By Denis Davis
Another Carrier turned cure—all?

120 LAW By Colin Barrett
Misrating: your mistake, your misfortune

124 EQUIPMENT & TECHNOLOGY By James Martin
Time to get something going on the side?

130 HAZARDOUS MATERIALS BY Bob Jordan
It's time to take a stand

DEPARTMENTS

126 LITERATURE

131 GUIDE TO PUBLIC WAREHOUSES

137 READER SERVICE CARD

143 CLASSIFIEDS

143 ADVERTISERS INDEX

144 LAST PICKUP

NEXT MONTH

Distribution equipment

DISTRIBUTION, ISSN 0273-6721, owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089, (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. © CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $40 per year. Canadian, $50. Foreign $70 Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 2105, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25c per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + 25c.)

DIALOGUE

The responses to our June inquiry into customer service innovations suggest, if our readers are as good as their words, that we can expect to see a lot of shipper/carrier cooperation in months to come. A common perception among both parties is that communication is the key to success. But not only must we talk to each other, they say, we must listen to what the buyers of our products and services are telling us.

"Both shippers and carriers must listen to the needs of their customers. Be action-oriented; develop plans in order to meet customers' needs and serve them better. Improve internal controls and use the KISS (keep it simple, stupid) principle."**—Ronald Kennedy, corporate traffic manager, Time, Inc., New York.**

"Carriers should continue to be responsive to shippers' needs and shippers should be more aware of carrier operations."**—F. Scamardi, traffic manager, Flexible Steel Lacing Co., Downers Grove, Ill.**

"Shippers must be prepared to act immediately to customer requests. Customer demands should not be dismissed as being 'picky,' but should be responded to. Shippers must be ready to meet the customer as an equal, not as an opponent."**—S. Rombom, traffic supervisor, Izod, Ltd., New York.**

"Listen to customers and provide what is needed and what is wanted—not what you want to sell."**—Andy Johnson, MD, Commercial Studies Institute, Burlingame, Calif.**

"First, shippers and carriers must know what their customers' needs are. That involves getting out and spending time with the customers at their locations. Second, shippers and carriers must have the flexibility to take what they learn on these visits and implement it."**—Frank Van der Horst, regional distribution and warehouse manager, Coca-Cola Foods, Paw Paw, Mich.**

"Ask questions about your customers, their methods, their philosophies, needs and goals. Turn these ideals into workable actions through your carriers. Use your carriers as an extension of your own company's customer service department."**—R. H. Stacey, traffic manager, Thill, Inc., Oshkosh, Wisc.**

"Shippers and carriers must stop claiming to be service-oriented and become that way. They must arrange their schedules around the customer's needs, and not force the customer to conform to their own selfishly convenient requirements."**—Louis H. Farnung, manager of distribution services, Faberge, Inc., Raeford, N.C.**

continued

QUESTION OF THE MONTH

HOW WELL EQUIPPED?

There's currently a surge in activity with respect to new equipment and technology being introduced for transportation and distribution applications, within just about every mode. Double-stacks; new flexi-flo bulk containers; truck trailers of varying length, width and height; new loading dock and trailer door innovations; new yard equipment; truck tractors of varying ranges and sizes; the list goes on.

Just what's spurring this activity? Is it being driven by shipper or carrier demand, or are these bigger and supposedly better tools being developed by equipment manufacturers without a clear indication of a corresponding need in the market? Will it lead to true productivity and efficiency gains? Or will it just amount to higher costs for the same services?

Also, what's the current climate for capital expenditures, on the part of both the for-hire carriers that shippers are using, and on the part of the shippers themselves for their own private distribution requirements?

Here are some questions to help determine if what's being developed out there meets what's needed by equipment users, and if so, how hot the market is right now from a funding standpoint:

DIALOGUE

October 1985

- My company is currently considering capital expenditures in the following areas (check all that apply): ______trucks; ______trailers; ______rail cars; ______containers (air or ocean); ______yard equipment; ______loading dock and warehouse equipment; ______other (describe) ______
- I expect my company's capital equipment expenditures to ______increase; ______decrease; ______remain constant in '86.
- In general, with regard to equipment that I lease or buy, I am ______satisfied; ______dissatisfied with what is available.
- My dissatisfaction stems from (pick one): ______high prices; ______specs of available equipment don't meet my needs; ______lack of finance options; ______lack of service assurances.
- If I were grading, from A to F, equipment manufacturers on their ability to offer products that meet current distribution needs, these are the grades I'd give: ______tractors and chassis; ______straight trucks; ______railcars; ______intermodal chassis and trailers; ______yard equipment; ______forklifts and material handling equipment; ______air and ocean containers.
- The freight mode benefitting the most from recent equipment innovation is (pick one): ______trucking; ______rail; ______air; ______ocean; ______barge; ______intermodal.
- The freight mode which is still behind the times when it comes to equipment is (pick one); ______trucking; ______rail; ______air; ______ocean; ______intermodal.

Here's the distribution equipment technology development I'd like most to see in the remainder of the '80s:

NAME (print) ______ TITLE ______

COMPANY ______ PHONE ______

ADDRESS ______

CITY ______ STATE ______ ZIP ______

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of *DISTRIBUTION* Editors while covering the industry meeting and seminar circuit:)

"Imports have been out of line, increasing at close to double the usual rate. This is partly because other countries have not been growing as fast (as the U.S.), but it is mostly because of the dollar which has appreciated by over forty percent in the past four years, making foreign goods a bargain.

"Restricting imports would sap the vitality of U.S. industry and restart inflation. With less foreign competition, efficiency would decrease and productivity would fall. That could lead to the deindustrialization of America. It could also aggravate the dollar problem. Import restrictions would encourage retaliation, but to the extent they were effective, the U.S. trade balance would improve and the dollar would go up, not down.

"There is no simple cure, but it is necessary to tackle the disease rather than the symptoms."—**Roy Denman, head of the Delegation of the Commission of the European Communities.**

"There must be personal driver/customer contact. Driver input of comments and suggestions is necessary."**—Stephen Frank, marketing director, Handishop Industries, Inc., Tomah, Wis.**

"Stop the paranoia created by pricing wars. Everyone forgets they're dealing with people, not just figures."**—Lynne Brown, traffic manager, Bradley Corp., Menomonee Falls, Wis.**

"Communicate! Look for better ways to get things done. The carriers must keep in mind they cannot be all things to all customers."**—B. L. Kaltenbaugh, traffic manager, Texocom, Atlanta.**

"Since shippers and carriers share common customers, it is in their best interests to work closely in a partnership to meet the needs of their customers. A close working relationship is mutually beneficial and fosters trust and confidence that leads to innovation."**—Peter B. Neydon, vp sales, Holland Motor Express, Inc., Holland, Mich.**

"There is a risk in managing a transportation/distribution system poorly. There is also a risk, perhaps a greater one, in managing it with the wrong set of management practices in mind. We must insist that excellence is not a treasured ideal, but achievable through proper management."**—Thomas L. Tanel, senior associate, Tracy-Hayden Associates, South Orange, N.J.**

"Shipper and carriers need to understand and use 'account penetration' techniques; involve more personnel at the customer level than just the sales rep. Involve warehouse managers, dispatchers, analysts."**— David L. Kirkham, materials manager, Turtle Wax, Inc., Chicago.**

"Carriers must be aware of the needs of the shippers that they service. Shippers must listen to carriers' ideas and if possible help them along. We both must work together."**—Unsigned.**

IN SEARCH OF CUSTOMER SERVICE

I have read either of the "In Search of Excellence" books	71%
have not read either of the books	29%
I agree with the basic conclusions of these books	73%
disagree	4%
I've changed the way I manage my job since reading the books	42%
have not changed	31%
Most management theories are overcomplicated	67%
disagree	19%
I plan to spend more time supporting my customers this year	85%
Most transportation companies are customer oriented	44%
disagree	46%

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 39 WAYNE PA

POSTAGE WILL BE PAID BY ADDRESSEE

Chilton's
DISTRIBUTION
P.O. Box 2105
Radnor, Pennsylvania 19089

INT'L PLANNING

THE GRAND SCHEME OF THINGS

'A man, a plan, a canal, Panama.' Or maybe a woman, a plan, a new market, Paraguay. Whoever and wherever, distribution helps plot the course.

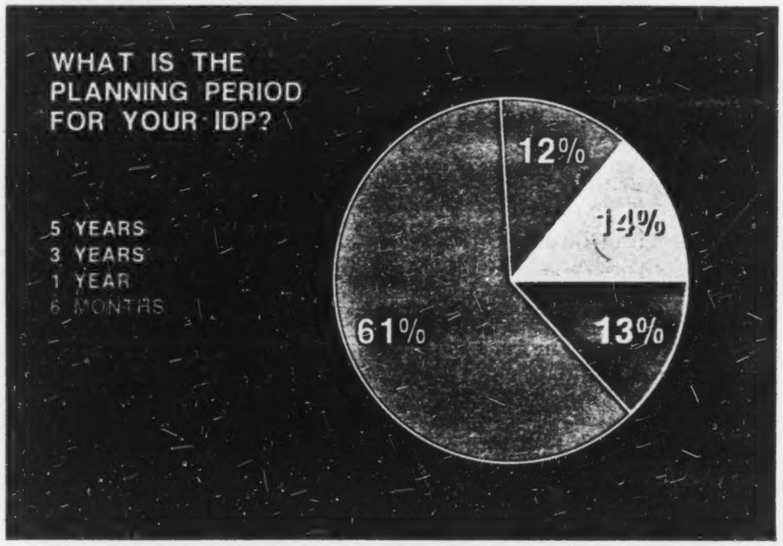
By Joseph V. Barks, Editor-in-Chief,
and Cathy Coffman, Special Projects Editor

Don't worry—I have a plan." That time-worn line is a Hollywood favorite and, depending on the script, it can either be reassuring, or reason for concern.

It's no different in the real world. The mere existence of a plan is no guarantee of success. There are plenty of places to slip up, not only during a plan's design stage, but also in the equally critical stages of implementation and "plan maintenance."

And the going gets even greasier when a plan must be fashioned for a broad, sticky area like international distribution. Clearly, it's an area that calls for the foresight and deductive powers of a Holmes, not a Clouseau.

CHART ONE



Most respondents indicated that any International Distribution Plan (IDP) which tries to pinpoint activity for under a year's time is not sufficiently broad-minded. On the other hand, they said, plans for periods in excess of a year usually fall quickly from the realm of a useful calculation into that of a useless crapshoot.

We talked with a number of leading international "distribution detectives" to determine how they plan their attacks—and their escapes. The strategies and *modus operandi* may vary greatly, we discovered, but the objectives are always the same: Avoid surprises, and control costs with a villain's vengeance.

Group Plan

Responses were well scattered on the question of whether a separate department or position is required to handle the function of international distribution plan-

continued

This article summarizes a presentation to be made at the 23rd Annual Conference of the National Council of Physical Distribution Management (NCPDM), October 27-30 in St. Louis, Mo. The presentation, "New Developments in International Distribution," will be made jointly by DISTRIBUTION Magazine and Logistics International, an international consulting firm, as part of the NCPDM tract on international distribution. Contributing to the research for this article were: Dr. Richard Lancioni, Professor of Marketing at Temple University, Philadelphia; Dr. John Gattorna, Professor of Marketing and Logistics, Macquarie University, Sydney, Australia; and Kathleen M. Milne.

ning. Some companies make no special exceptions, but instead handle the task within their corporate distribution or logistics departments. Others have broken out an international or export distribution department into which all international planning assignments fall. Still others fold planning for international distribution into broader planning chores that are executed by the international sales or marketing departments. Then there are further splits over the question of whether the planning function should be centralized at corporate headquarters, or instead broken down according to product or geographic divisions.

Whatever the set-up, planning is generally handled by at the most a handful of specialized, high-ranking managers. And there is widespread agreement (see Chart One) that any company which tries to plan international distribution out further than a year is, at best, throwing darts. Some noted that they might try their luck at one-year, three-year and five-year plans concurrently. But they usually admitted that only the one-year plan is really functional. "For international planning, five years is really too far out," said one major importer.

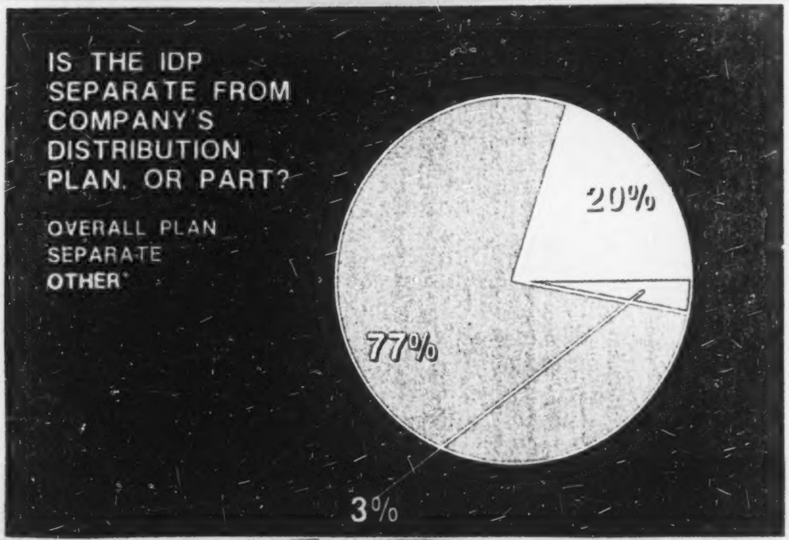
Most of our respondents indicated that they do take care (see Chart Two) to keep their international distribution plan (IDP) separate from their overall distribution plan. Beyond distribution, though, there is extensive coordination with overall corporate plans. One corporation reported, for example, that its IDP is cooked up by a committee consisting of the head of the international division, three key people from marketing, finance and production, and a representative from corporate planning.

Others reported a need to coordinate with:

- manufacturing, materials management and purchasing, because of special packaging or labeling requirements, or to eyeball projected raw materials supplies and prices, or to get a feel for supplies of parts and finished goods;
- marketing, merchandising and sales, to get a grip on forecasted volume and economic activity in a given market;
- finance, to look at the outlook for cash reserves, credit performances, and exchange rates.

When it comes to input from outside consultants or computer models, though, our respondents generally prefer to rely on internal know-how (see Chart Three).

CHART TWO



To be effective and on target, it was stressed, an IDP must be separated from a domestic distribution plan. But at the same time, it should be coordinated with plans from other areas of the company, both for international activity and corporate activity on the whole. "Other" respondents to this question included indications that the IDP was part of a marketing plan, production plan, facilities construction plan, or international marketing plan.

Foreign Factors

What goes into a plan for international distribution? The factors cited by our respondents ranked as follows, with the most important listed first:

(The respondents were asked to rate each factor on a scale of 1 to 5; the number after each factor in the list represents the average rating given to each.)

- regulatory constraints in foreign markets (4.8);
- import duties (4.6);
- level of competition in foreign markets (4.6);
- reliable importers (4.4);
- preparation of documents (4.2);
- inventory levels (4.0);
- packaging (3.9);
- terms of payments (3.9);
- general transportation infrastructure in foreign markets (3.9);
- cost of transportation (3.9);
- speed and accuracy of order processing system (3.9);
- collection of payments from customers (3.8);
- standard trade and delivery terms (3.6);
- customs procedures in foreign markets (3.4);
- forecasted foreign sales company wants to achieve (3.4);
- customer support (3.4);
- warehouse and storage availability in foreign markets (3.3);
- returned goods handling (3.2);
- reliable exporters at point of origin (3.1);
- channels of distribution in foreign markets (3.1);
- materials handling capability (3.0);
- damage incidence (2.9);
- location of stock centers in foreign markets (2.8);
- type of transportation (2.7);
- alternative product supply in foreign markets (2.1);
- parts support in the companies' foreign markets (1.9);
- availability of foreign trade zones (1.8);

But deeming a factor important

continued

is only the first step; developing performance standards to keep the important ones in line is the key, our respondents agreed. Chart Four indicates which standards are most frequently established, and tracked.

Respondents were then asked to crystal ball the major challenges they expected to face as they put together their next IDPs for the short-, medium-, and long-terms.

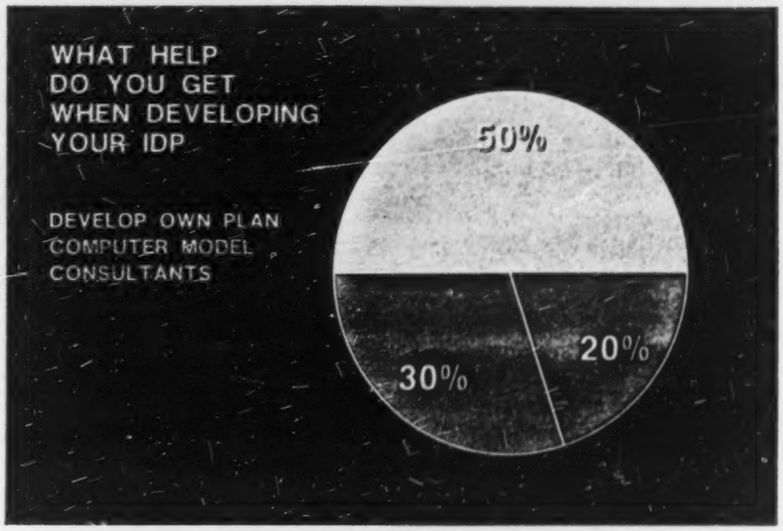
For the short term (1-2 years), these challenges were cited:

- dealing with currency problems, in particular the artificially inflated value of the U.S. dollar;
- dealing with continued intensive foreign competition, meeting competitive pricing strategies in the European market, and maintaining competitive base-cost structures with respect to manufacturing and raw materials sourcing;
- developing markets in the Third World;
- ensuring protection against market damage that could be caused by political instability in some areas;
- sorting out the ocean shipping issue of independents vs. conference members, and assuring prudent reactions to the price wars spurred by maritime overcapacity problems, to preserve high competitive levels and reasonably priced, effective container service for the long-term.
- handling the effects of a continued U.S. trade imbalance;
- working around trade barriers, quotas and other restrictions which make it difficult to market products in certain countries;
- working within the confines of the International Hazardous Materials Code, and dealing with other international packaging, shipping and documentation requirements, particularly where petroleum and chemical products are concerned;
- increasing effectiveness of order processing and customer service through computerization, to bring about better simultaneity between orders and inventories;
- obtaining satisfactory cost and service options from all international carriers.

For the medium-term period (2-4 years), anticipated challenges included:

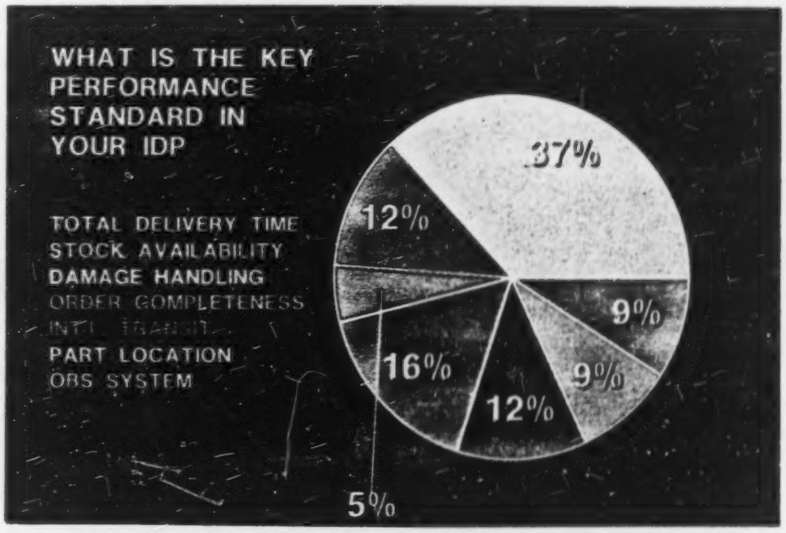
continued

CHART THREE



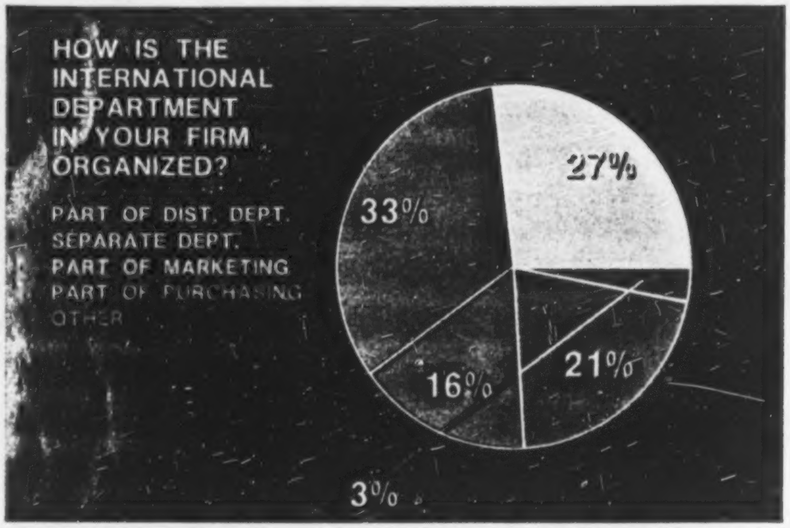
Rolling up the shirtsleeves is all that's really needed to fashion an effective plan, most of our respondents said; take your computers and consultants somewhere else, please.

CHART FOUR



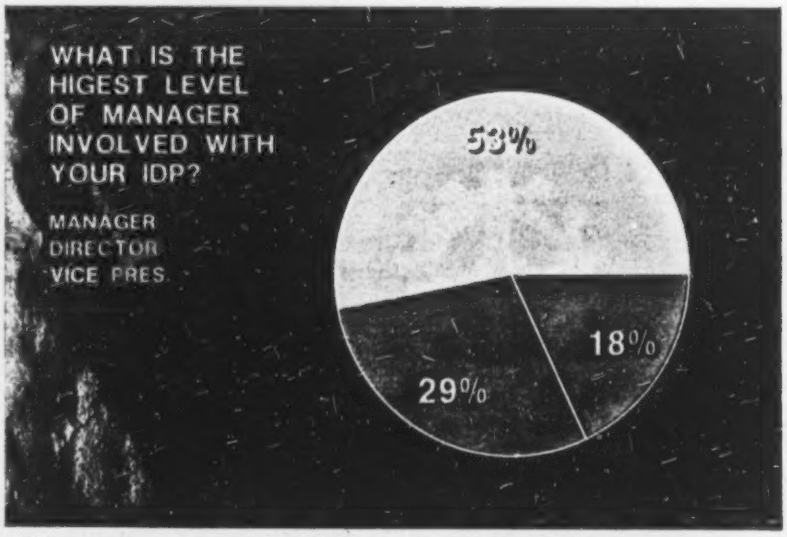
If an IDP does anything at all for you, it was noted, it should make sure you'll be able to get product to and from originating points as required. Beyond that, you can use your plan to refine customer service and inventory performance.

CHART FIVE Same



More of our responding companies now isolate the international distribution function rather than have it as an appendage to a department that is primarily domestic in scope. Purchasing/materials and marketing are also exerting greater influence in the area of international distribution, too.

CHART SIX



Titles and ranks can be deceptive, particularly as a company's size and level of international activity increases. But in general, it appears that international distribution planning responsibilities still lie to a great extent with the managers who then handle the nuts-and-bolts, day-to-day execution of the plan. But international planning must eventually become a group effort, with ample support from bottom to top. As one respondent noted, "In our firm, we are all involved with international in some way."

- construction of production and assembly facilities in foreign markets;
- penetrating the Japanese markets;
- finding reliable offshore suppliers and materials sources.

For the long-term (4-10 years), these challenges were cited:

- finding appropriate partners for joint ventures;
- developing reliable transportation links at competitive costs;
- improving customer service abroad;
- competing with major foreign firms on a price basis;
- fending with the growing technological base of Third World countries such as Korea, Taiwan, Yugoslavia, etc.

More Than a Formality

Once a plan is in place, respondents agreed unanimously that some sort of review and monitoring procedures must accompany its implementation. Be it a formal review (at predetermined intervals), informal (reviewed only when problems arise), or a combination, just about every firm said it makes it a point to pull the IDP out of the file once in a while.

One respondent admitted that it's probably not the best idea to wait until it's time to put out fires. "We do a great job of constructing the plan, but forget about it until something goes wrong," he reported. Among those companies with regular, formal reviews, every quarter seems to be the most popular time frame.

How do our respondents put their IDPs into action? Most reported that they export most frequently to affiliates, although significant percentages choose to deal directly with customers, or use independent agents or distributors. Whatever the chosen course, though, just about everyone agreed that it's a good idea to let the people at the other end in on your plan, too. That's certainly something you'll never see in the movies. But it's one more precaution you'll be wise to take if you want an international plot that culminates in a gratifying, and not gruesome, climax. ★

Single copies of this article are available at no charge. Input 419 on Reader Service Card.